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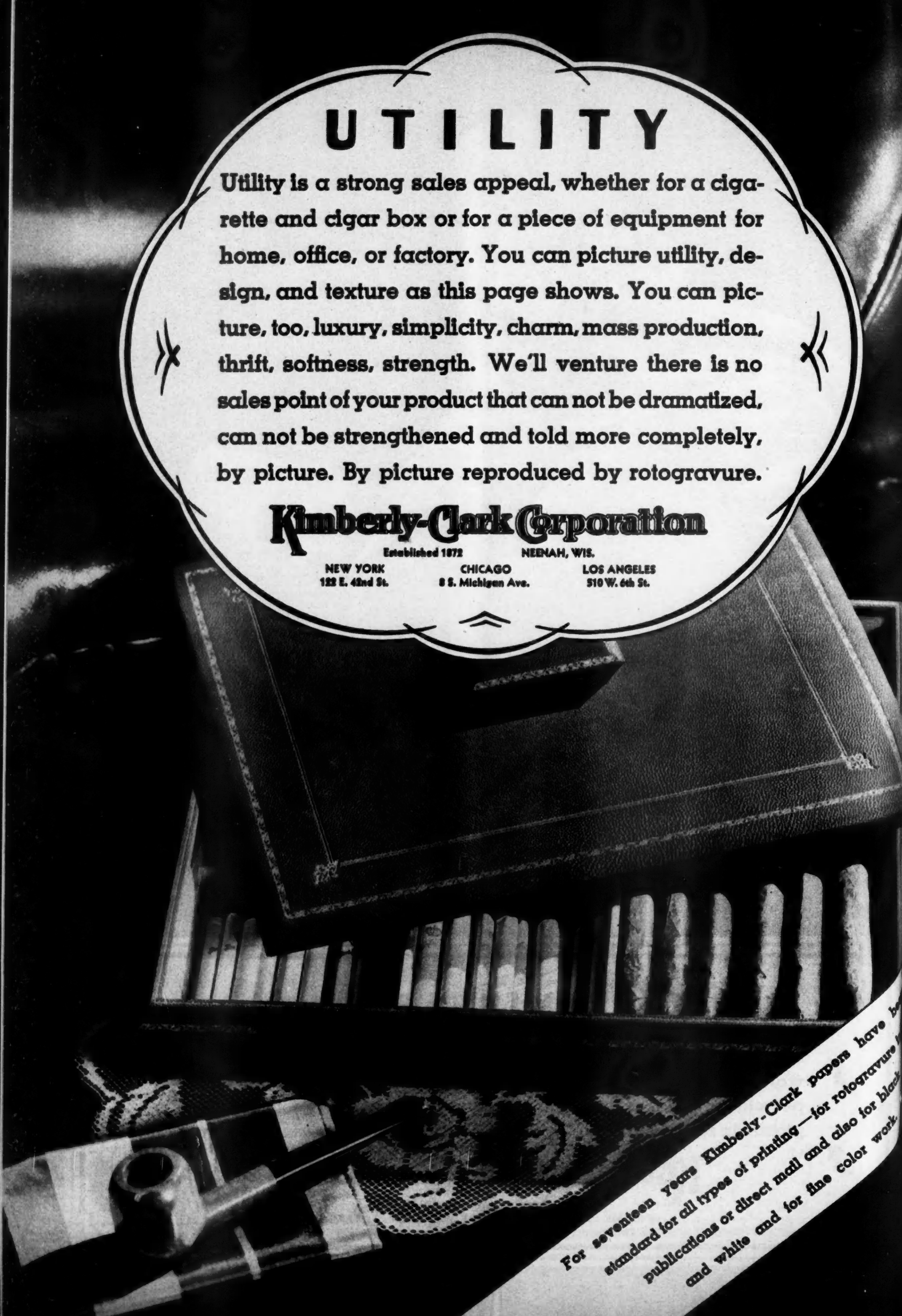
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WITH THE EDITORS

Cutting the Cost of Bad Judgment

IN security investment and speculation there is only one thing that causes more appalling losses than bad judgment. That is the stubborn refusal to reverse one's judgment when events have conclusively proven it to have been wrong. Why is it so terribly hard for any of us to take a loss? The reason is that in closing out a losing venture we definitely and irrevocably admit to ourselves that we were wrong in the original purchase. Most of us would rather see a paper loss mount up than do that. We beguile ourselves with the fond hope that sooner or later the trend will be reversed and our original judgment will stand vindicated.

There is the case of a certain investor who bought 1,000 shares of a copper stock at more than $80 per share. The price has since fallen as low as $11 a share and he still has it. The case is typical. Let us put ourselves in this man's place. When the stock dropped to $70 he undoubtedly said to himself: "Oh, well, my 10-point loss will be made up on the first rally." And when the price reached $60 he no doubt said: "I wish I had sold at $70." And so on down the line. The bulk of his loss is due to refusal to admit that his original judgment was at fault. He has subjected himself not only to distressing financial loss but to a devastating mental agony.

But what can one do to avoid situations like this? Perhaps the first thing to do is to attempt to approach any security commitment with an open mind. It is essential, of course, to ascertain the facts as far as possible, but the future at best is a dark mystery. No investment—and certainly no speculation—should be regarded as irrevocable.

Before advancing into unknown territory one should prepare a line of possible retreat. One should prepare mentally for it by saying: "I've studied this situation carefully and I think I'm right, but I'm not infallible. If I think this stock is going up and it goes down that is pretty convincing proof that I'm wrong. If I'm man enough to admit my mistake I'll have money left for another try."

Everyone interested in securities would do well to consider the advantages of the stop-loss order. It is not an ideal system, particularly since the accumulation of stop orders on the book of a specialist, gives bearish traders a juicy target to shoot at, but what heartache its general use would have saved in the last two years!

For the investor, of course, having possession of his securities, the "stop" will have to be a mental one but it needs only strong will to be an effective means of minimizing risk. The speculator who fails to avail himself of stop-loss protection in parlous times like these is passing up one of the chief tools of calm, deliberate trading.

Why, for example, should any trader handicap himself by presuming the ability to forecast the end of the bear market and the beginning of major recovery? Sooner or later stocks will advance. It may be a real move or just another rally. By placing a stop-loss order moderately below his purchase price, the buyer can participate in any advance, maintain an open mind and at the same time exclude the possibility of serious loss

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In the Next Issue

What Can Be Done About Real Estate Bonds?

By THEODORE M. KNAPPEN

Companies Benefiting from Low Commodity Prices

Security Selections by THE MAGAZINE OF WALL STREET Staff

Utility Earnings of To-Morrow

By C. R. SMITH

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and PAPER COMPANY
of NEWFOUNDLAND, LIMITED

GROSS SALES of International Power and Paper Company of Newfoundland, Limited for the six months ended June 30, 1931 amounted to $4,301,751 as against $4,230,808 for the corresponding period of 1930. Net revenue, including other income, available for interest and reserves amounted to $1,519,468 as compared with $1,364,479.

This is an increase in net revenue of 11 per cent over last year in spite of the effect on 1931 earnings of the $5 per ton cut in newsprint prices. Mill operating efficiency is increasing steadily and large savings in fuel costs are resulting from the installation of 58,000 horsepower additional generating capacity at the Company's hydro-electric plant.

Net revenue, including other income, for the first six months of 1931 was at the rate of almost 13 times the interest requirements on the first mortgage bonds before deductions for depreciation and depletion, and 10 times such interest requirements after deductions for depreciation and depletion.

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Investment and Business Trend

For Home Consumption—Down Go Wages—Helping the Banks—How Bad Is the Deficit?—Low-Priced Stocks—The Market Prospect

FOR HOME CONSUMPTION LIKE some of our congressmen, national spokesmen sometimes make remarks for home consumption. Manfully as the British nation is taking its economic medicine, it would not be human if it did not attempt to export a large part of the blame for its situation. Some British newspapers are telling their readers that the United States is the originating devil of the world's troubles.

Only if the United States can be held responsible for the World War can it be fairly indicted for Britain's troubles. The war started without our aid or consent, and the main motive for our entrance into it was altruistic—to save, as we believed, the democratic world. Besides our own enormous and costly military efforts we supported the Allies during the war and helped them after hostilities ceased with loans to the extent of nine billion dollars. Between our military and financial aid, we can say that we saved both England and France from conquest. It is too true that the burden of repayment has borne heavily on Britain, and that the war gave the United States great advantages and opportunities in international trade. Doubtless our post-war tariffs were harmful to England, but that was not their purpose but our own benefit. We helped England back to the gold standard in 1925 and we shall probably help her return to it again. We shall probably do many other things to help her. But the fact is that England is suffering from a war for which we were not responsible, from her inevitable displacement as the world's greatest commercial nation and from ill-advised domestic policies.

DOWN GO WAGES LONG deferred, the wage slash has come at last in a big way. The decision of three steel companies—United States, Bethlehem and Youngstown—to reduce wages 10 per cent marks the beginning of a general wage readjustment. The Presidential truce on wage reductions is in the discard. The grim old law of supply and demand has broken through artificial bonds. "Hell will be to pay," says a high official of the national administration who has courageously stood out against reductions.

We doubt it. The labor unions are in no position to offer violent or sustained opposition. Strikes do not prosper when bread lines grow.

Despite benevolent purpose realities rule. The momentum of the business depression drives it to bed rock in all things. The worst must come before the

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Three Years of Service"—1931

better is possible. If we cannot level up we must level down.

The first effects of wage reductions will make the general business situation on the consumption goods side somewhat worse. The volume of purchasing power will be reduced. But reduced production costs will hearten producers and give them new hope. Reduced prices will stimulate the demand for production goods and put more men to work after a doldrums period of uncertain length.

While it is true that wages and salaries are the major part of the nation's total purchasing power, it must be remembered that if business is wrecked by payrolls it cannot endure and there may be no jobs and no wages. Low wage rates are better than no wages. Some business is far better than none. Like it or not, uncontrolled primitive economic law still governs the world. It is ruthless. But we live under it and must obey.

HELPING THE BANKS

THE Comptroller of the Currency has relieved the national banks from the rigid rule that their bond investments must be charged off as the market price falls. The ruling should have two good effects. It will prevent some essentially sound banks from suspending and it will enhance esteem for bonds. On the other hand, it is a sort of pardon for bad banking. The banks are being punished by economic law for their offenses of bad judgment in boom times. But perhaps they need some reprieve, lest a fine become a death sentence. Punishment to the bitter end would fall on all of us. On the whole, the comptroller's action must be approved as a laudable emergency measure.

The banks also have a prospect of relief in the plan President Hoover is working on for a sort of national real estate mortgage discount system. Many of them are weighted down by frozen real estate loans that really ought not be on the books of commercial banks. The new financial institution will be able to take the essentially sound ones over and thereby release funds for commercial uses. But beyond the assistance the new institution may give banks in their present or future real estate financing is the help it will give to all sound real estate financing. It will enable real estate loan agencies of various descriptions to increase their turnover and enlarge their functions. It will tap the whole national investment fund in an orderly and sane manner, reduce the cost of construction financing, and lead to a much needed revival of building, notably in the small-house field.

HOW BAD IS THE DEFICIT?

IT is estimated that operation of the United States Government during the current fiscal year will result in a deficit of at least $1,500,000,000. To the average citizen such a figure seems of truly astronomical proportions, yet there is no reason to regard it with alarm. Our national tax system, wherein the Federal Government derives the bulk of its revenues from the income taxes paid by a very small proportion of the population, inherently possesses a "Prince and Pauper" aspect. Because of this narrow base, Federal income taxes fluctuate far more widely than does the actual income of the whole population. The system has worked satisfactorily in prosperous times, yielding fat surpluses year after year. These have been applied, in addition to sinking fund operations, in reducing the public debt at a much faster rate than was originally contemplated by Congress, the maximum war-period debt of 26 billions having been cut to approximately 16 billions. In the light of this record, a temporary step backward is not disturbing whether the Government awaits the next period of normal business activity for a rise in income tax collections or whether, through widening the tax base, it adopts a revenue system less subject to severe fluctuation. The latter remedy, since it is fundamental, doubtlessly would be preferable. In a social sense, a broadening of the tax base would have certain important advantages. It is proper that the heaviest taxes should be imposed upon the wealthy, but every citizen should pay some tax. If it is only $1 a year it gives him a direct financial interest in the operations of his government.

LOW-PRICED STOCKS

FOR the average investor or speculator stocks of low price have a peculiar fascination. Most of us, if convinced that there is sound value in what we buy, would instinctively rather have 100 shares of a $10 stock than ten shares of a $100 stock. The inherent danger of this tendency is that it leads so many to purchase unsound issues. Like clothing, food or anything else that we buy, stocks should be bought with careful regard for values. A price of $10 or $20 a share should be accepted as a signal in itself for rigid scrutiny of quality. Yet the careful buyer can find numerous low-priced stocks which meet the quality test as regards management, financial strength, normal earning power and dividend prospect. These issues constitute a promising field for investment consideration in coming months, even though it is probably advisable to defer accumulation until the business horizon is clearer. It is of interest to note that the average value of all shares listed upon the New York Stock Exchange is now in the neighborhood of $30 per share. It is also notable that odd-lot buying for cash reported by brokers has recently been of tremendous proportions. Perhaps one of the reasons is that more stocks than ever before now sell at prices appropriate to the pocketbook of the average citizen.

THE MARKET PROSPECTS

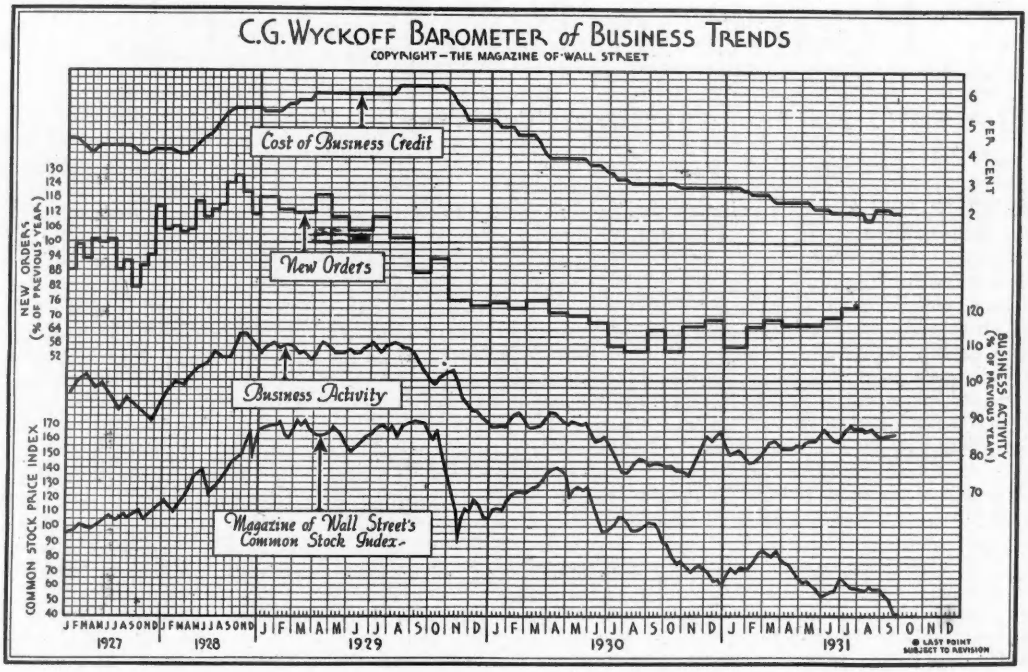
OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 762. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, September 28, 1931.

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS
1907—"Over Twenty-Three Years of Service"—1931

Taking the Pulse of Business

Foreign Influence Prominent



THOUGH the momentous events at home and abroad which have taken place since our last issue are destined to exert a far reaching effect upon industry and finance the world over, sufficient time has scarcely elapsed as yet for their influence to be reflected in any of the four curves of our Barometer, with possible exception of the Common Stock Index. England's suspension of the gold standard has given renewed impetus to the liquidation of short term credits held here by foreign governments, with the object of strengthening the gold reserves of their central banks. This has led to some hardening in the rates for bankers' acceptances; but has as yet brought little change in the general Cost of Business Credit. Recent Treasury financing brought the first increase in two months in New York bank deposits; but the falling off in deposits at other member banks has more than offset this local gain, so that contraction in banking credit throughout the country as a whole still remains a disturbing factor.

Incomplete returns on New Orders render it probable that the next point on this graph will disclose a decrease of some proportions; though it is still possible that reports from other industries not as yet heard from may be sufficiently favorable to offset the early declines. Machine sales made a poor showing last month, though orders booked in the cotton textile industry continue to gain. In this connection it will be observed that our Business Activity curve, after reacting for a few weeks, has steadied during the past fortnight, and it may be that any falling off in New Orders which took place last month has already met sufficient response in this earlier decline in the Business Activity curve.

Conflicting opinions as to the ultimate effect of recent financial developments abroad, coincident with the long expected announcements of wage reductions by leading companies here, have occasioned widely erratic price swings in the stock and bond markets. Some encouragement may be derived from the observation that reversals of this character in the price trend have, in the past, frequently marked the end of a major decline. It will doubtless be some weeks, however, before we shall have the statistical evidence from which to appraise the outlook for either security prices or business activity with any degree of confidence.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS
1907—"*Over Twenty-Three Years of Service*"—1931

Temporary Response to Wage Cuts, Dividend Omissions and Foreign News Are Not Indicative of the Major Trend

Clues to Future Market Action Found in Fundamentals

By A. T. MILLER

SUSPENSION of the gold standard in England and the frank action of some of the most influential American corporations in cutting wage rates have given the stock market an interlude of technical rally without changing the basic economic picture in major degree.

The British financial crisis had for weeks weighed heavily upon the securities markets of the world, accelerating liquidation of bonds as well as stocks. It was undoubtedly one of the most influential causes of the severe decline of our stock and bond markets during September, with the familiar speculative result that when the much-feared news of British gold suspension came out it appeared to have been substantially discounted, at least for the time being.

When one's worst fears are realized, the initial psychological reaction usually is one of relief. It was some such psychology as this that prevailed in speculative minds. With the London market and other important exchanges closed and an atmosphere of tension throughout the financial world, the outburst of liquidation here on September 21 resulted in less severe decline than might have been expected, even though the market's performance was colored by such artificial factors as banking support in pivotal stocks and the action of the Stock Exchange in placing a temporary ban upon short-selling.

"Considering the tremendous breadth of the deflation, there is no reason to suppose that a favorable opportunity for accumulation will be confined to any single day or to any week. Any recovery capable of being maintained will almost certainly be slow and will be accompanied by definite signs of business gains, however moderate. The premium which the investor will have to pay for awaiting such assurance is less to be feared than the continuing risks involved in efforts to guess bottom."

The ensuing rally, one of the fastest and sharpest of the year, was influenced by the optimistic tone of the London market upon its re-opening two days later, by the quickness with which the Stock Exchange removed its short-selling restrictions and by the United States Steel Corporation's announce- of a 10 per cent wage cut, an announcement quickly followed by similar action on the part of other prominent companies. The extent to which general wage cutting is an immediately bullish speculative factor is, of course, subject to doubt. The essential fact is that after three weeks of uninterrupted liquidation of the most urgent variety, the technical setting of the market was ripe for precisely such an upward reaction as occurred.

In numerous stocks the temporary recovery amounted to 10 or 15 per cent and some of the rails, which had been under relentless pressure since June, rebounded as much as 25 per cent. It is, obviously, no occasion for surprise that so violent a lifting of prices should very quickly run into realizing sales, renewed short-selling and opportunist liquidation.

So far as the near-term outlook is concerned, the significant aspect of this matter is that the resulting pressure proved to be much heavier and more insistent than could possibly be accounted for by normal technical factors. Rather, the performance of September 24 indicated quite plainly that the back of the bear market, whether bent or not, certainly was not yet broken. It reflected the same kind of insistent liquidation and the same lack of confident investor-demand notable in preceding weeks. Both in extent of decline and volume of dealings this one session of reaction was fully as sensational as the preceding day of rally, the two days presenting one of the most amazing contrasts Wall Street has ever seen.

In a market in which such hysterical movement is possible it is quite useless to seek guidance in technical considerations. As for months past those who risk buying securities under conditions of extreme depression and acute financial unsettlement can protect themselves against grave hazard only by employing the device of the stop-loss order, mental or otherwise. The potential investor, awaiting opportunity, has no more reason than heretofore to pay undue heed to short-term fluctuations or to such expedient incidentals as the "Hoover moratorium" or the British gold suspension.

The ultimate effects of the recent British action upon world trade and finances can only be demonstrated by the course of events over a period of time. Similarly, it is impossible on snap judgment to gauge the real importance of the fact that leaders of American industry have come out openly in insistence upon lower wage rates, despite powerful political opposition at Washington.

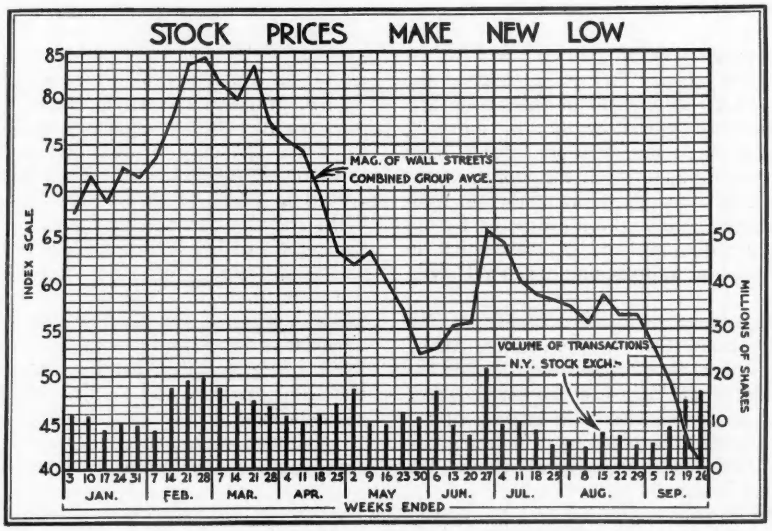
In the present situation one can feel on safe ground only by focusing attention upon the fundamentals. The underlying trend of stock prices, however obscured by cross-currents and transient factors, inevitably conforms to the trend of corporate earning power. There is no evidence at present that the decline in the general base of business earn-

ing power has been reversed. On the contrary, the current industrial records indicate that, with a very limited number of exceptions, early improvement in this respect is not probable. In its absence, one can only expect continued downward adjustment of dividends.

Any sign of real improvement in the trend of earnings will inevitably be reflected by informed buying of the business man type. The absence of demand of this kind has been and is one of the most discouraging features of the market. In relation to the early speculative outlook, this fact must be regarded as of more significance than the very heavy cash demand now evident from odd-lot buyers, however important the latter may be in its ultimate effects.

Lure of Low Prices

It is probably true that some securities have been swept down to unjustifiably low prices. It may be that under the psychology of the times deflation will go to extremes comparable with the extremes of inflation two years ago. That is one of the dangers to be guarded against if premature optimism is to be avoided. Whether sound or absurd, there is no practical point in arguing with such a mass movement.



To say that the trouble with the stock and bond markets is lack of confidence is to put the cart before the horse. Lack of confidence rests upon tangible difficulties, the list of which need not be repeated here. Reducing the matter to its most practical basis, the supreme factor to the securities markets is lack of earning power. There is a lot of timid capital in this country, but there is also an enormous amount of capital whose application is directed by sound judgment, unswayed by vague fears. The bottom is not going to fall out of the market. Informed and courageous capital will take stocks at what it believes to be the right price level. Such buying probably will be preceded by a better tone in the bond market. Meanwhile there is scant encouragement in current price trends.

The most favorable aspect of the market at this writing is a tentative show of resistance by the railroad stocks, which command attention because their movement has accurately indicated the fundamental trend for nearly two years. It is too early, however, to assume that this demand is of long-term significance. It is undoubtedly influenced to a large degree by expectation that the decision of the Interstate Commerce Commission on the roads' application for higher rates will be announced within a few weeks and by the hope that it will be favorable.

Such a development, particularly in an over-sold market, would result in a sharp rally of the rail shares and other groups would participate to some extent. How long a recovery of this kind would last is problematical. It would find professional traders willing to attempt at least a brief "play" but for any broad manipulative program the bald fact is that the all-important seasonal basis is lacking and will be lacking until next spring. In the event of a near-by rail rally, the next significant test of the market will be the manner in which it gets through the closing weeks of the year when it will have to contend with increasing political apprehensions and possibly with a seasonal increase in institutional insolvencies.

The Gold Factor

The biggest immediate question presented by British suspension of the gold standard is whether similar action will be forced upon other commercially important countries. It is a question made insistent at this writing by extreme weakness in various foreign exchanges, including those of Germany, Norway, Sweden, Denmark and Japan.

We cannot escape the essential fact that the United States and France hold the bulk of the world's gold, leaving a wholly insufficient amount on which the rest of the world's business must be conducted. In the absence of some more equitable distribution, countries lacking gold may either revalue their currencies on a gold basis or possibly even replace the gold standard with some new basis of measuring values.

In international trade, London is the most experienced and capable financial center of the world. It is time for this country to sit up and take notice when critisicm of the gold standard comes seriously from such a quarter and when responsible British statesmen suggest that it will be necessary for a world conference to deal with the matter.

The present effect of suspension of the gold standard in England is inflation, mild thus far. Prices are rising. Imports will fall off and exports increase. Home industry is stimulated. It would be absurd, however, to assume that Britain's permanent position in international trade can be bolstered in this purely artificial fashion. No less an authority than Sir Josiah Stamp, director of the Bank of England, has pointed out that the apparent industrial improvement is not due to a permanent difference in the values of currencies but simply to the period of change. Such improvement is transitional and, as in the case of Germany when the mark was extinguished by inflation, can depend for continuance only upon additional doses of currency inflation at each stage.

It is to be doubted that conservative England will accept this as the road out of honest obligations. It is far more likely that the pound will be re-valued at a reasonable level, after which, as in the revaluation of the French franc, the special trade advantages offered during the period of transition will no longer prevail.

Whether the change will prove a real threat to London's

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Will Gold Follow Silver Into the Discard?

England's Drastic Action on the Gold Standard May Inaugurate a World Shift Toward a New Money Base

By CHARLES BENEDICT

BRITAIN, historic champion of gold as the basis of all currency has temporarily at least abandoned the gold standard. Partly as a result of this action and partly as a consequence of world conditions, Norway, Sweden and Egypt have taken similar steps. Aside from the shock which these events have given the world, accustomed to associate the gold standard with stability in business and fidelity in finance, there has been aroused a feeling of apprehension in some quarters and of satisfaction in others that the world may be approaching a general abolition of that standard.

Apart from the imperative financial necessity of the course chosen it is believed that it was welcomed by British economic and business thought as a step toward the permanent improvement of the British economic situation. It will result in a virtual repudiation of a portion of the British national debt, leading to a reduction of taxation, for a \$4.86 pound debt will be payable in a pound of much less purchasing power. Consequently it will require less of the nation's annual production of wealth to meet interest and principal.

When France finally stabilized the franc, formerly worth 19.3 cents at about four cents, she wiped out about 80 per cent, in effect, of her national debt. When inflation destroyed the old German mark Germany erased her national debt. It is significant to note that both nations subsequently enjoyed a period of high industrial activity.

It does not necessarily follow, however, that Britain will experience industrial revitalization in the same degree. It is true that a reduction in the value of the pound will mean a lowering, in effect, of salaries, wages, doles, bond interest and values and all other fixed money income except those contractually payable in gold. These, of course, should tend to improve the condition of British industry through a reduction in production costs and taxation. But it is questionable whether British efficiency is sufficiently developed to meet the challenge of this opportunity. Furthermore it must not be forgotten that England is a country which is forced to purchase the greater portion of her raw materials; and this she will be forced to do, in order to speed the wheels of her factories, with a currency which is daily falling in value. Whether this will be offset by cheaper domestic production and a curtailment of competitive imports depends on the potentialities, skill and efficient management of her manufacturing industries. Britain is armed for a battle to regain her lost foreign trade. If she loses, the disintegration and decline of the British Empire is close at hand.

Bank of England

Moreover, such a decline may be fostered by political repercussions which appear inevitable. The possibility of an election is strong and should the Conservatives come into power a tariff wall seems destined for free trade England. The resulting curtailment of imports in a country to whom foreign trade is life's blood is not pleasant to contemplate. On the other hand should the labor party return to the helm once more it may find itself vastly handicapped by an accelerated fall in the pound. In addition one of the strongest arguments for the continuation of the dole will have been eliminated. Advocates of the dole system have argued that since the internal war debt was assumed when the pound was at low levels, its subsequent stabilization in 1925 at the old parity of \$4.86 gave an unfair advantage to creditor classes and worked additional hardships on the laboring class. The latter contended that since the value of bond holdings, gov-

ernment bonds in particular, had been thus already enhanced, it was no more than equitable that interest payments may be scaled down and more money expended for unemployment relief. In other words whereas the creditors won in 1925 in the re-establishment of the pound sterling, the debtor class is victorious today. How far they will press their advantage, however, remains to be seen.

Of course it is impossible to say at this time, whether Britain or any of the other nations which have suspended the gold standard will permanently abandon it. Certainly the case for a new base or a new international standard is strengthened. Nations to which foreign trade is of material consequence, however, will naturally find it extraordinarily difficult to exist on any other but a common standard, be it gold or some other base. For example it is already evident that even a temporary isolation from the almost universal gold standard will transfer financial power from London to Paris and New York. Within twenty-four hours of gold suspension by Britain, other nations and international corporations had begun to substitute the dollar and the franc for the pound in money exchange operations.

Effects of England's Suspension of the Gold Standard

1. ***A reduction of England's debt burden.***
2. ***A virtual reduction in wages, pensions, salaries and the dole.***
3. ***Will curtail British imports and may expand British exports to the disadvantage of the United States.***
4. ***Loss of London's financial supremacy in favor of New York and Paris.***
5. ***May result in the overthrow of the gold standard in other countries.***
6. ***Benefits South America and other sterling debtors.***
7. ***Further loss of wealth and purchasing power by India.***

The effects of England's drastic action on other nations may be considerably varied. Among the immediate consequences will be a more effective British competition in world trade. For the time being more cheaply produced English goods will be offered in many markets. Italy has already set up a protective tariff to offset this very contingency. The struggle for the world's markets will be more intense than ever. The United States will share in the effects of this competition insofar as its exports compete with those of Britain and also in cheaper and larger imports. During the readjustment period there may be some benefit to our foodstuffs and raw materials, as British purchasers will be prompted to convert the falling pound into goods—as their prices will rise in English money in proportion.

Financial Repercussions

It has been suggested that in the financial markets the devaluation of the pound will have an unfavorable effect in that British holders of American securities might be prompted to sell them in order to turn American money into more pounds. It is more likely, however, that British investors will be frightened by the momentous change and the spectacle of an unstable pound and inclined rather to keep their investments in dollars as represented by American securities. Temporarily there will be some conversion into cash. On the other hand there is not likely to be any rush of Americans to unload their British dollar securities, because they are payable in gold. American investments in England are mostly direct business investments and therefore benefited rather than injured by the money change.

South America will also be benefited. Many of her borrowings are in sterling and the debt burden of several countries there would be reduced by the shrinkage in the pound in precisely the same proportion as Great Britain's own indebtedness abroad.

If England and the Scandinavian countries were to remain permanently off the gold standard the demand for gold would be reduced and prices of everything might be expected to rise in all gold standard countries through the cheapening of gold.

This trend will, of course, become the more pronounced if other nations renounce the gold standard. Japan is nearing that point; so are Italy and Denmark; and it is not unlikely that Germany may in desperation resort to similar action as an escape from her difficulties. Opposed to any such program, however, will be the two nations already well supplied with gold. The United States and France with their large gold hoards are not likely to take any precipitate action which would in any way imperil the value of their holdings. They will cling to gold. In the case of India, however, there is much uncertainty. Her position is different from that of any other British dominion, or from any other country in the world. Already an acute sufferer from the demonetization of silver she has recently had her wealth impaired and purchasing power disturbed by the process of being forced onto the gold standard. Contrary to popular belief this process had not been completed and instead of being on the gold standard she was in reality on a pound sterling basis. That is to say, the rupee was inextricably dependent on the pound. With England off the gold standard India's currency is also depreciated. Under these circumstances will she attempt an independent establishment of a gold basis similar to Canada or will she revert to silver? If she adopted the latter alternative it would result in a greater esteem for silver, better prices for that metal, and possibly improvement in the commercial position of the Far East.

The sensational dethronement of gold by England and the Scandinavian countries, even though temporary, will give momentum to the movement which has long been gathering force throughout the world to a return to bimetallism—gold and silver—or the adoption of some non-metallic standard for money.

There is no difference of opinion as to the benefits of a common standard of valuation. Practically the whole world has for more than fifty years agreed upon gold as the standard of valuation and the basis of media of exchange. Even the non-gold countries have to use gold internationally.

A New Standard Possible

The gold standard simply means that a certain money valuation has been officially placed upon a certain weight of gold ($20.67 to the ounce) and that gold coin so stamped by the mints, or gold bullion, will be exchanged by national treasuries or banks for currency on that basis. (Technically, England was on the gold bullion standard,

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What Is Blocking Business Recovery?

Numerous International and Domestic Problems Cry Out for Solution—Convalescence of Industry and Trade Hampered by Politics—A Challenge to Leadership!

By Nicholas T. Calhoun

SEPTEMBER, month of hopeful transition from summer to autumn, has failed to produce the much desired transition from economic depression to incipient recovery. As we enter October, which normally encompasses the peak of second half-year business activity in basic industries, hope has waned. Since even the normal seasonal gains have failed to arrive on schedule, there is little expectation that the beginning of genuine revival can be seen in the near future.

Certainly the current business records offer nothing in refutation of this prospect. There is a satisfactory demand for low-priced consumption goods and stocks of such goods are light. But stocks of raw materials remain excessive and demand for producers' goods continues stagnant. Commodity prices show tentative stability on the average, but with some of the most important items, including farm products, at levels which indicate scant purchasing power for the producers.

In this first week of October the most widely accepted business indexes—steel operations, railway car loadings, construction, automobile production and output of electric power—tell us unmistakably that the depression that began in 1929 is still with us in full force. On all sides the effects are obvious. We see them in a stream of dividend reductions and omissions, in the fearful hoarding of currency, in continued unemployment and in a growing nightmare of political apprehensions both abroad and here.

Chief Obstacles to Business Recovery:

Political Uncertainties
European Unsettlement
International Indebtedness
Surplus Commodity Stocks
Mal-distribution of Gold
Hoarding and Fear

Delayed Expedients Which Might Help:

Legalization of Beer and Light Wines
Increased Railway Freight Rates
Modification of the Anti-Trust Laws
Positive Federal Reserve Credit Action

Old As Depressions Go

The depression is now more than two years old, and that is an old age for depressions as we have known them heretofore in this country. Relying on precedent, some find cause for optimism in the very fact that the period of distress has endured beyond the traditional average, hence giving rise to the assumption that the end must be near. Perhaps it is, but nothing could be more futile than to attempt to estimate the business prospects on the basis of the mathematical probabilities indicated by precedent.

Some depressions in this country have prevailed for only a few months. At least one lasted more than five years. This great variation in longevity in itself indicates the absurdity of attaching significance to any "average" figure.

Why are some depressions short and some long? Why are some moderate and some severe?

The obvious answer is that the basic causes vary. If we are to see the start of recovery next spring it will not be because the depression will then be two and one-half years old. Revival can come only when the fundamental maladjustments have worked themselves out or have been corrected.

At present the adjustment is not complete and there is no benefit in venturing guesses as to the length of time that will be required for completion. It will not be speeded by fervent pleas to the public to show more courage and confidence. Fear, to be sure, is one of the concurrent obstacles, but the road to recovery is blocked by definite, tangible obstructions.

Muddling Through

It is upon these that it is necessary to concentrate attention. Some can be removed, if tackled with frankness and honesty of purpose. Some can be surmounted by practical expedients. Most are not economically inevitable in any sense but, rather, represent man-made errors.

Yet it is a striking fact that for more than two years we have muddled through this depression in precisely the haphazard, sheeplike way in which we muddled into it. A crisis as serious as history has ever known, a crisis in which the welfare of the entire world hangs in the balance, has produced no semblance of frank, purposeful leadership

or international co-operation up until the present time.

Neither business nor politics has offered leadership. Business is not organized to do so. In this country at least, there is no evidence that politics has the capacity to do so. Its defense is that of the ostrich—to stick its head in the sand and deny the facts as long as possible. And now that the facts are undeniable there is the utmost reluctance to deal with them. Timidity and vacillation are the watchwords in dealing with every major problem—in dealing with international debts and reparations, with the necessary disposal of Farm Board surpluses and liquidation of the Farm Board, with "farm relief" nostrums, with the world race in costly armaments and with the problems involved in excessive governmental expenditures, governmental deficits and necessary tax revision.

Expedients

There are certain expedients which in the present business emergency could possibly do some good and certainly little harm. It is suggested, probably correctly if the economic aspects alone be considered, that the legalization of light wines and beer would to an important extent relieve unemployment and recoup the Government's depressed tax revenues. It is suggested that an extension of the one-year "Hoover moratorium" would greatly relieve international fears. It is suggested that the anti-trust laws be modified to permit "emergency agreements" in some of the most acutely depressed industries in which only co-operative control of production can offer any early hope of relief.

These, mind you, are expedients; perhaps the least of the remedies that need to be applied. The point is that even powerful advocacy and pressure by leading bankers and business men have failed to strike even a spark of activity at Washington.

More important, the total lack of effective political leadership is only part of the story. Politics has not only signally failed to remove the business obstacles which are humanly removable. It has itself become one of the chief obstacles to early recovery. Indeed, as we approach the close of the year no single burden weighs more heavily upon the head of business than political uncertainties and fears. Into almost every economic problem politics intrudes.

In considering what is ahead of us let us take a look at one straw in the wind. It is no secret that the United States Treasury's recent offering of $800,000,000 in long term bonds met with none too cordial a reception from investors. What is the reason? It is something more than the prevailing investment timidity. Informed investors have no reason to be unduly alarmed by our huge Government deficit. It comes after successive years of fat income taxes had produced surpluses which aided in cutting down the total Government debt by fully $10,000,000,000. A temporary increase now is not a major matter and probably will be taken care of by a widened tax basis.

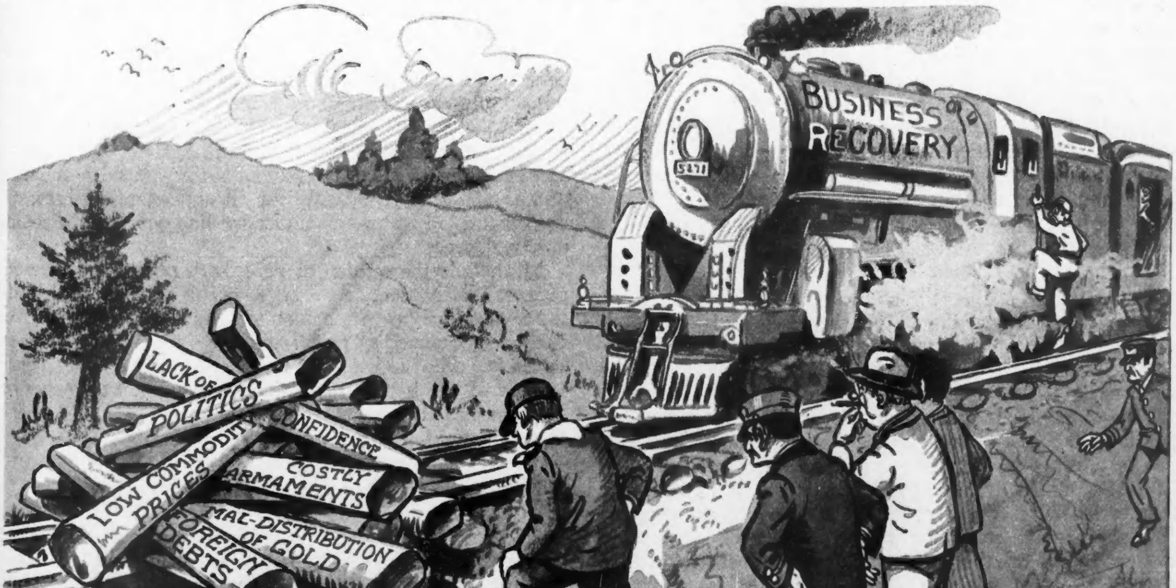
Congress

The only acceptable explanation seems to be that large corporations which usually are glad to invest surplus funds in bonds of such caliber were on this occasion reluctant to do so. Their reluctance is traceable only partly to general business conditions. It is due chiefly to fear of the next Congress, due to assemble in December.

"We cannot make commitments beyond December," a leading executive is quoted as saying. "We do not know which Party will control Congress or what the inter-party combinations will be or how far a coalition may go in penalizing business activity. Accordingly, extreme care must be taken in all of our purchases. We dare do little forward buying and we certainly cannot tie up our funds for long periods."

Senators and Representatives vie with each other in proposing legislation, both in public addresses and in interviews flooding the press. In all this welter of proposals few stand out as practically constructive. It makes little difference in the immediate situation that most of the half-baked schemes will go into the discard. They constitute a spectre which business cannot ignore, for the essential fact is that Congress will be deadlocked and that almost anything can happen.

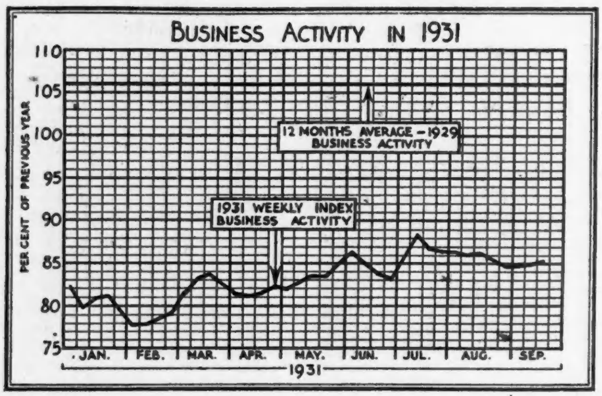
It is not known whether the Democrats or Republicans



will organize the House. Perhaps it will make little difference which *does* organize the House. In any event insurgent Congressmen are in a position and a mood to tie the legislative business into knots or, if they can compose their own differences, which are many, to hold an actual balance of legislative power. To American business the outstanding fact is that we face a Congress in which there is little prospect of sane, unselfish, effective leadership in dealing with such problems as inter-governmental debts, disarmament, tariff barriers, taxation, farm relief, soldier bonuses, banking regulation, public utility and railroad regulation, Prohibition and the anti-trust laws.

And the muddle is intensified by the fact that we approach a Presidential election year. It can be historically demonstrated, of course, that in the long run Presidential years have no very marked influence in shaping the course of economic events, but here again, considering the situation which we face, historical precedent offers no great amount of encouragement. It is to be doubted that in approaching a Presidential year we have ever before been confronted with so puzzling a set of circumstances and with so many problems which are directly or indirectly tied up with politics, both domestic and international.

In so simple and clear-cut an emergency as war, reasonably effective political co-operation is usually forthcoming; but the depression, at least to this country, is by no means an emergency in this acute sense and certainly is not so regarded by the general run of politicians. It is too broad and too divergent in its effects to provoke any uniform mass endeavor. Moreover, there is room for vast differences of honest opinion as to causes, effects and possible remedies.



In such a situation the forces now dominant at Washington would be less than human if they failed to keep one eye on the next national election in everything that is done. Similarly, the opposition—Democrats and Insurgent Republicans—would have to have somewhat more angelic dispositions than they have yet exhibited to refrain from determined efforts to make political capital for themselves in the coming months.

Coalition Government

The contrast between the politics of Washington and of London today is startling. On the one hand we see a conflict of political views which without question will seriously hamper, if not block, the effective functioning of government. On the other we see the leaders of the three dominant political parties of Great Britain struggling jointly and harmoniously in the national cause. This is due in part to the notable spirit of self-sacrifice shown by Mr. MacDonald in casting off party ties. It is only fair to add that it is due largely also to the extreme gravity of the financial crisis confronting England, culminating in suspension of the gold standard. Whether, in the absence of any such acute crisis here, unselfish coalition action at Washington is possible remains to be seen.

Consider, briefly, some of the chief problems which are inevitably tied up with politics and nationalistic interests as distinct from the much needed co-operative program:

The greatest difficulty in the world today—so simple that it is surprising how few comprehend it—is that peace does not exist in Europe. The economic effects of the war, of course, are still with us. The staggering debts which it piled up have not been liquidated. The maladjustments of international trade which it brought about—such as a temporary boom for the American wheat farmer—are still felt. But it is to be doubted that it is primarily these tangible matters which weigh so heavily upon the world. Courage to solve them could be found if only confidence in a peaceful future existed.

National Fears

Instead, we see a race of armament. France is almost hysterical in her preparations for defense and her plea for security. Nor, as a practically-minded nation and the victim of more than one invasion, can France be particularly blamed. Peace in Europe has always been a matter of balance of power. For a century Russia was that balance, able to tip the scales between Germany and Austria on the one hand, and England and France on the other. Today Russia no longer holds this role. Germany is temporarily crushed, France is supreme and fearfully conscious that her supremacy may be temporary. She no longer relies upon her nominal allies, England and Italy. She places no trust in the future possibilities of German might, even though her traditional foe now appears to be a peace-loving republican people, rather than a Kaiser-driven military machine.

In relation to this difficulty, which naturally looms large in European politics, most other so-called foreign problems really are subsidiary. The declining markets and weakened finances of Europe reflect fear of the future even more than of the present. Capital is available, certainly in this country and France, but it will not be put to work where it is needed as long as fear prevails. It is in recognition of this fact that leading American bankers feel little can be done by way of remedy until a foundation of confidence is provided by an understanding between France and Germany—an understanding which will amount to a real peace.

Meanwhile the burden of debt, both public and private, presses heavily upon the entire world. To the indebted, it has steadily grown more onerous, due to the protracted decline in commodity prices and the widespread shrinkage in trade. Few individuals have a capacity to pay equal to that of the boom years. The result is a long series of defaults and the impairment of the credit standing of indebted nations and individuals.

Significant Stability

It would be a pleasant solution if commodity prices recovered. Some commodities are so plainly selling below production cost that some measure of eventual recovery is likely, making debt payment easier. But on the average commodities have merely cancelled the war-era inflation and logic and precedent both suggest that the present price

(*Please turn to page* 808)

Ewing Galloway Photo.

The Truth About the Rails

Rate Increase Would Dispel Present Crisis—Broader Policies Assure the Future

By THEODORE M. KNAPPEN

THE blackest registrations of business pessimism are to be found in the stock exchange quotations of the strongest railways of America. Within the current year their common stocks have fallen as much as sixty per cent or more. Even their preferred issues have not fared much better in several instances.

These records of little faith reflect not merely the speculative pessimism of the moment but also a deep despair of the future of the whole rail transport system. They are interpreted by gloomy minds as the statistical obituaries of the end of a transportation epoch. We are told that as the Concord coach and the Conestoga wagon passed, as transport means, and the canals gave way to the railways, so now at the end of a century of railway ascendency the locomotive and the steel way are being eclipsed by the gasoline engine applied to private automobiles, motor buses and motor trucks; by the carriers of the air and by the flow of pipe lines.

The dismaying statistics of the current decline in railway activity are separated from their proper place in the composite industrial picture and are interpreted as of secular as well as cyclical significance.

The Facts—But Interpreted

Let us look at the facts with open eyes but also with due regard to the related facts.

The number of passengers carried annually by the Class I railways decreased from 1,200 million at the climax in 1920 to 780 million—during the greatest period of general business activity and prosperity in the history of the country. So far this year the passenger business is about 25 per cent less than in 1929.

Less than carload freight traffic declined from 90 million tons in 1920 to 62 million tons in 1929, but the total of revenue car loadings increased in the same period from 9 to a little over 12 million. In 1930 such loadings fell off by a million cars, and in the first 33 weeks of 1931 suffered a decline of 27 per cent as compared with the corresponding weeks of 1929. The total operating revenues of the Class I railways in 1930 was 5,281 million dollars, being 242 million less than in the depression year of 1921. At the present rate of receipts these revenues will fall in 1931 some 500 million dollars below those of 1921. Net operating income in 1930 was about 262 million more than in 1921 but the outlook is that for 1931 it will be about one-third less than in 1921, or about 450 million.

Greatest Capital Investment

The property investment of the railroads is placed at 26,500 million dollars. At the present rate of net operating income, it amounts to only 2.07 per cent on the investment. This compares with 2.81 in 1921, 3.27 in 1929, and 4.61 in the peak year of 1926—as against the 5.75 rate contemplated by the Transportation Act of 1920.

The prospect now is that in 1931 the railways as a whole will earn interest on their bonds only 1.31 times the amount thereof, that of the 67 largest roads in the country only 19 will earn their fixed charges 1.5 times, and that 25 will fail to earn that much. Not a highly edifying prospect for the stockholders.

Taken by themselves, without reference to the past or the future and in segregation from the rest of the nation's industrial statistics, the foregoing figures are as black as a tempestuous night. But other industries share the grief of the railways.

As compared with current railway "production" of 72

per cent of the 1929 figure, steel production on the same basis is only 39 per cent. Lumber is going into the absolute red on 62 per cent of the 1928-30 output, or 43 per cent of normal. Bituminous coal output is only 74 per cent of the 1923-25 output, and anthracite only 66. Copper is in the 60's, automobiles about 60. Beef packing is at 75 and hogs at 83. Flour stands at 85 and sugar meltings at 83. Iron ore shipments are down to 46 per cent. Cotton consumption is down only to 97 and wool but to 92; leather and leather products boast 101, paper, tires 126, and printing 111, petroleum refining shines at 161, but the petroleum industry is in the profitless dumps and tires are not making fortunes.

Exports are off nearly half from two years ago, banks debits are only about half what they were in 1929, bank loans are off 20 per cent; and Federal Reserve discounts are little more than 25 per cent of what they were at this time in 1929. General business activity is about 70 per cent of normal and wholesale prices of 550 commodities stand at 72.3 per cent of the 1926 base.

It is not too much to say that the railways are suffering only in the same proportion as all industry and trade. That means that unless something has gone fundamentally wrong with their functions they will come back when business in general comes back. This does not mean, however, that the railways will be as prosperous as other businesses when the sun shines again in the economic world. They had only meager pickings in the way of profits when the good times were booming ahead as if they were never to end. Subject to regulation of their "prices" by governmental order, they were unable to fatten their margins of profits in the seven fat years of 1923 to 1929.

Ups and Downs of Railway Traffic

	Car Loadings	Revenue Ton Miles	Passenger Miles
1921.........	39,323,158	306,840,000,000	37,312,000,000
1926.........	52,097,000	443,746,000,000	35,477,000,000
1927.........	53,099,000	428,736,000,000	33,649,000,000
1928.........	51,590,000	432,915,000,000	31,616,000,000
1929.........	52,948,000	447,321,000,000	31,078,000,000
1930.........	45,850,000	383,787,000,000	26,822,517,000

Compare their meager rate of return of 4.96 in the climatic year of 1926 with the returns of other lines of industry and trade. But in respect to rates there is hope. The pending petition for a 15 per cent increase in rates may give the railways a life preserver now and a deserved business builder in after years. Even a part of the desired 15 per cent may improve the relative position of the railways during the remainder of the depression and establish them in a much deserved permanently better position. Wage reductions may help tide them over.

But is there anything fundamentally changed or changing for the worse in the relation of the railways to the whole transportation industry? Are they a declining industry, fated to decline by economic evolution?

Routing the Motor Truck Bogey

The answer is to be found in the progress of automotive transport. Air and water transport have a little to say, but not much. Commercial aviation can make appreciable inroads only into the passenger business, which the railroads have long since adjusted themselves to as a source of revenue that is already one-third lost. It represents now an opportunity for recapture, perhaps, rather than of further loss. As late as 1921 it contributed only 22 per cent of the operating revenues, and now (1930 figures) it is down to 14. Despite the loss of passenger business the gross revenues in 1929 were, with the exception of those of 1923 and 1926, the highest in history. The revenue freight car loadings of 1929 were exceeded only once in the past, namely, in 1925, and then only by a small margin. Even now they are ahead, so far this year, of 1920.

Volumes have been written about the inroads of the motor trucks into the freight business but the highest estimate of the amount of business they have diverted from the rails is only six per cent of the whole, and the lowest estimate put the diversion at only 3 per cent. Dr. Julius H. Parmelee, director of the Bureau of Railway Economics, recently testified before the Interstate Commerce Commission that the tonnage handled by trucks in 1930 was between 15 and 20 billion ton miles, as against 383,449 million ton-miles by the railways in 1930.

The total interurban commercial truck capacity of the nation was estimated at 29 billion ton-miles.

"I believe," said Dr. Parmelee in his testimony, "that the trucks are now carrying all the traffic they have been able to get which formerly moved by rail."

In the matter of meeting truck competition the railways are just beginning to fight. Instead of waiting for the trucks to attack they are counter-attacking. At the moment the trucks are probably on the retreat—at least as competitors. The railways are taking the trucks into camp.

Wherever the conditions of traffic are such that trucks can render the better service the railways are putting on their own truck lines parallel to the rail lines. The Cotton Belt, to cite only one example, is now operating 1,318 miles of truck line alongside its tracks. Truck lines are replacing stub branches and serving as new lateral feeders.

Then the store-door pick-up and delivery service is coming on apace. Annexing the trucks to their empire, the railways are going in strong for containers which are filled by the shipper at his warehouse, picked up by the railway truck, lifted by a crane onto a flat car, lifted off at the delivery point and placed on a truck.

Responding to the raiding of runs of as much as six or seven hundred miles by the truck in such freight as perishable goods, the railways are now striking back at the trucks in their pet sphere of 250-mile night runs. Loaded by their pick-up trucks after business hours, local trains of one sort all night long set out cars at way stations.

Another sort of train, specializing on package freight in less than carload lots, stops throughout the night and unloads the packages at way-stations while the station master sleeps, the train crews having keys to the freight houses. All the traditional leisureliness of the old-time freight train is gone from these fast locals. They hop along at passenger speed between stations, and when morning comes freight is ready for delivery with sun-up at a long string of stations.

A Hard One for Truck Competition

All the southwestern railways, in accordance with Interstate Commerce authority, are now putting in store-door pick-up and delivery service at 3,000 stations. The flat freight rate, up to 300 miles—choice hunting preserves of the commercial trucks—covers the entire transportation charge, the terminal truck service being "thrown in."

The country is spotted with similar smaller services, and

all the railways are watching the southwestern wholesale experiment. If it succeeds, the independent trucks will have the fight of their life everywhere.

There is a like story in the growing response of the rail ways to motor bus competition. Sometimes the competition is swallowed by absorbing the competing bus lines, sometimes the railways originate bus services, sometimes they enter into alliances with them. Then, again, lateral and local parallel bus lines are being used as feeders for passenger trains and to establish convenient connections with other lines. Parallel lines for short runs enable the railways to dispense with a certain number of local-stop passenger trains. Some of these railway bus lines are making money on their own account, and others are making money for the railways through the train-service saving they make possible. Then, again, with little reference to competition or co-ordination, railway companies are acquiring interests in, if not control, of independent bus systems. Such is the relation of the Pennsylvania to the Greyhound lines. By way of diversity, interests are sometimes shared by two or more railway systems.

Wherever there is a prospect of holding or winning back passengers to the rail service, the railway companies are concentrating on attractions for the wayward wanderers rather than by acquisition of bus lines. Day coaches are dolled up inside and out, sleepers, club and parlor cars are made more comfortable and luxurious than ever. The dining cars are improved, lunches are served in the day coaches. Sleepers are pre-cooled before leaving terminals in summer nights. Air conditioned trains, delightfully cool on the most torrid days, are actually making summer travel more restful than home-staying. Fast all-coach day trains make things hot for the slower buses. Experiments are being made with first, second and third-class fares, the latter being for day coaches only and on competitive rates with long-distance buses.

Opening the Throttle Wide

And time. . . . Partly to meet air competition, the railways are beginning to lop hours and even days off their time schedules. Three years ago it took 69 to 72 hours to get from Chicago to the Pacific Coast; now the fast trains make the distance in 57 to 59 hours. Intermediate distances are covered in proportionately reduced time. An hour has been sliced off the time from New York to St. Louis. Eighteen hour trains will probably be restored between New York and Chicago. Half an hour has been peeled off the New York-Buffalo time. Four hours have been cut off the time distance between Montreal and Chicago. The New York Central makes an average of 51.4 miles an hour between Buffalo and New York, including stops. The Canadian National makes 55.6 miles an hour between Montreal and Toronto. The Pennsylvania has just announced the inauguration of a Washington-New York schedule of 235 miles in 255 minutes. A half hour has been deleted between San Francisco and Los Angeles, and another half hour between San Francisco and Portland, Ore. New York-Boston running time has been compressed, and scores of other time improvements have been made. Heavier rails, electrification and other improvements spell still faster time. Fourteen hours between New York and Chicago is coming, which, as it will be slept away, will give the airplanes something to zoom about.

A Watchful Eye on the Air

Co-ordination of passenger traffic (and possibly of express) with air service passenger traffic is far advanced, whether by part or full ownership of air lines by the railway companies, or by air-rail combination for long distance trips. As yet, except for medium distances the railways are not much concerned over aerial competition, but they are pursuing a policy of watchful waiting.

The significance of all this adaptation to or acquisition of the newer means of transport is that the railways are taking the broad view that they are general instrumentalities of passenger and freight traffic, and that wherever and whenever new forms of transportation prove themselves as competitors with the rails they will be taken into the railway fold. This means a broadening field for the railways, greater patronage and larger revenues in the long run. There will, doubtless, always be a field for independent commercial truck, bus and air lines. But even without co-ordination by absorption, agreement or supersession, the railways are secure in the knowledge that the exaggerated lion's share of the freight traffic of the nation must be theirs indefinitely. What they have lost that they might have retained by more agility they purpose to get back by one way or another. And they purpose to lose no more business that they can hold by right of equal or superior service.

Any idea that the railways are likely to lose from their present *rail* roads any large proportion of the country's tremendous freight traffic is untenable.

The railways are up and coming as to competition and the full discharge of their duties to the public. They are the transportation life and backbone of the country. But they have been treated like an unloved stepchild. During all the years from 1921 to 1931 the regulating authorities or they themselves in response to competition have been whittling away at rates. While everybody else was grabbing more while the grabbing was good the railways were being pushed away from the trough of profits. Just how far they were crowded into the cold can not be determined by a direct approach through the maze of rate reductions; but with ton mileage on an approximate level for many years the revenue per ton-mile has gone down at such a rate that 6,500 million dollars of revenue was lost in nine years. Ton-mile revenue in 1930 was 16.63 per cent less than in 1921 — and that about tells the story of the havoc wrought by rate reduction; in spite of the 5.75 per cent return wisp of hay in front of the quivering railway nose.

So these shiv-
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World's Business

We're in the World Mess Recent weeks should shake Americans out of their chronic indifference to world affairs if a long train of preceding events had not shown them that America is willy nilly not in the world but of it. In one way or another Germany, France and Britain, to say nothing of Russia and many other nations, have shown that their affairs are our affairs. The fiction that we merely hold seats as spectators of the international show has been rudely shaken. Our bankers, our investors, our merchants, our manufacturers and our farmers have been rudely and painfully reminded by foreign events that hit their pocketbooks that despite our great degree of self-containment we are involved in the most substantial way in the course of the world. We sink or swim with the other nations. Their affairs have become our affairs. We can not draw back, and we must either drift or go ahead intelligently in our destined course.

Is London's Supremacy Passing? For generations London has been the financial capital of the world. Even the rise of the United States to top rank as a creditor nation has not ousted London from that position. The superior position of London has been due partly to the free English market, partly to the age-old encirclement of the world with British trading and financial agencies, and partly to faith in the pound as the most serviceable and stable medium of international settlements. Even the war period when the pound had to be pegged, and the succeeding years when England was off the gold standard did not seem greatly to impair the volume of international business that was handled in London. It was a lucrative business and went far to offset England's decline as a commercial nation. The suspension of the gold standard at this time, however, is already leading to the supersession of the pound by the dollar in international exchange, and it would be logical to reason that business will shift from the pound to the dollar capital, from London to New York. The London bankers have naturally been economic internationalists and the weight of their influence has been on the side of free trade. A pronounced decline of the national importance of their business would strengthen the rising tide in favor of protective tariffs. Parenthetically, as our bankers become more and more international, a rift is opening between them and the great body of our industrialists concerning tariff opinion. Changes that may make for lower tariffs in this country make for higher tariffs in Britain.

Germany's Trade Balance Being at the end of support by other nations Germany has got down to business in dead earnest. With no more easy loans to be spent still more easily, Deutschland has begun to earn money. In August German exports exceeded imports by $77,000,000, the largest favorable trade balance since the war. That the balance was established from curtailment of imports instead of expansion of exports does not detract from its significance. It shows that Germany is putting her house in order. Debtor nations, like individual debtors, must earn more than they spend if they expect to maintain or regain solvency. The fact that exports were relatively large, considering the unpropitious times, indicates that Germany is driving hard and successfully for more foreign trade. Moreover every effort is being made to confine imports to raw materials and indispensable foodstuffs. For the general good of the world Germany's trade revival is to be welcomed but we shall have the sad reflection that Germany will prefer Russia to us as a source of the raw materials that will go into her increased exports—thanks largely to credits to Russia made possible by our credits to Germany. While Germany's favorable balance increased in August ours disappeared for the first time in many years. An adverse trade balance is the normal position of a creditor nation. A part of the slow process of redistributing

the world's gold will be a growing ratio of our imports to our exports. The world will strenuously strive to buy less and sell more to us. Foreign loans may mean exports at first but eventually they mean imports. As international bankers we are at war with ourselves as international traders.

How Belgium Does It

In the midst of world depression Belgium is fairly prosperous. She got her particular post-war disillusionment in 1926, which taught her to make hay while the sun of general prosperity shone for three years more. Belgian national prosperity is based on old-fashioned thrift. Everybody makes as much as he can and spends as little as possible. Nobody may make or spend very much under this rule but a nation of individuals with the annual balance on the right side is certainly prosperous. The Belgian idea is at variance with ours of 1929 that the more everybody spends the more everybody may earn. Yet even the hard lesson in thrift we are getting now will hardly cause us to imitate the Belgians. We will have to restrain ourselves for a while, but we are hardly ready to give up the dream of more and more generous standards of living. Somewhere between the Belgian way and ours there is a happy medium. In connection with the British suspension of the gold standard, it is encouraging to note that, as in the case of France, the Belgian come-back after 1926 was partly due to the drastic devaluation of the franc.

Doleful Retail Trade

A British firm that makes a popular minute motor car has declared a dividend of 100 per cent and English retail trade is booming. The dole keeps up the volume of buying of consumption goods. It amounts, however, to a capital tax. It is not paid out of increased wealth, but diminishes wealth. By reason of it Britain loses the foreign trade which is her life blood. Of course, any relief of the unemployed, whether official or not, works to the same end. No nation dare let people starve, which is the way unemployment was solved in harsher times. But the trouble with a governmental dole is that once undertaken it is self-perpetuating. Private assistance is withdrawn automatically as times get better; the recipients of doles are forced to work as work offers. As was the case with Britain after the war, some of our states and municipalities are now compelled to resort to doles, under whatever name. They can withdraw relief as times improve much more easily than our remote federal government, which seems to be nobody's direct interest. But in the best of times there remains the problem of technological unemployment. Progress that doesn't provide a solution of this problem of its own creation is hardly worth the game.

Is It Honest?

When one reflects that to lower the gold content of the standard money unit is exactly the same as the ancient royal profiteer trick of debasing the coinage, except that the one is done in the open and the other surreptitious, he is prompted to ask whether it is honest. If it isn't honest, then Belgian prospers through dishonesty and France is today the dominant nation of Europe because of financial crookedness and Germany stands convicted of wholesale embezzlement. The Englishman who went to bed on Saturday night with a paper pound in his wallet woke up the following Monday morning to find that it was worth only, say, $3.70 in gold. And this by a sudden decree of his government which had promised him that it would guarantee its value at $4.86. The Bank of France had a million dollars' worth of British pound bills which suddenly became worth only around $800,000,000 in French money, due entirely to the arbitrary action of the British government. Was that honest? Recalling perhaps the wail of vituperation of French honor that went up from English bondholders when France revalued the franc, the French government took its medicine and came back with an offer of the Bank of France to extend a further credit of $160,000,000 to the Bank of England. "We tried to be honest in a dishonest world," said an Englishman, commenting on the divorce of the pound from gold, "but we can no longer be." Yet if private bankruptcy or a discount settlement with creditors may be honest is it dishonest for a government, faced by ruinous burdens and the demoralization of the national economy, to take a similar course?

Russia Also Crimped

It is poetic justice that Russia which repudiated the debts of the old imperial government comes in for a trimming by the British dethronement of gold. Her pound credits, so costly built up by dumping at the expense of the Russian masses, are reported to have shrunk about $25,000,000. She has played England against Germany and both of them against the United States in seeking credits, having recently greatly reduced her purchases here.

Hungary in the Depths

Reports from League of Nations sources at Geneva suggest that Hungary is reduced to such straits that national repudiation impends. We seem to be at a period when all nations are seeking to clean up the financial mess left by the war and its aftermath, charge off losses and start again,—except those that have already taken the plunge. The United States seems to be unaffected internally on any national account, but wage reductions and price declines are our way of deflating. However, the present crisis seems to point toward a revision if not cancellation of reparations and the Allies' political war debts. The worst blow we could suffer from foreign repudiations would be in our private loans and credits in Germany. Whatever happens in regard to them, they give the Germans a massive club to beat us into line for general revision of the political debts. We may have to make a choice between losing both political and private debts or only the former.

A Fateful Mutiny

On September 15 the sailors of the British Atlantic fleet refused to obey the orders of their officers. Proud Britannia reeled under the humiliating news. A few days later England, the world's model of punctilious observance of the letter and spirit of national obligations, in a sense and degree repudiated its obligations by suspending the gold standard. When the British tars struck for more pay did they strike down the gold standard? When they refused to obey orders did they strike a deadly blow at British

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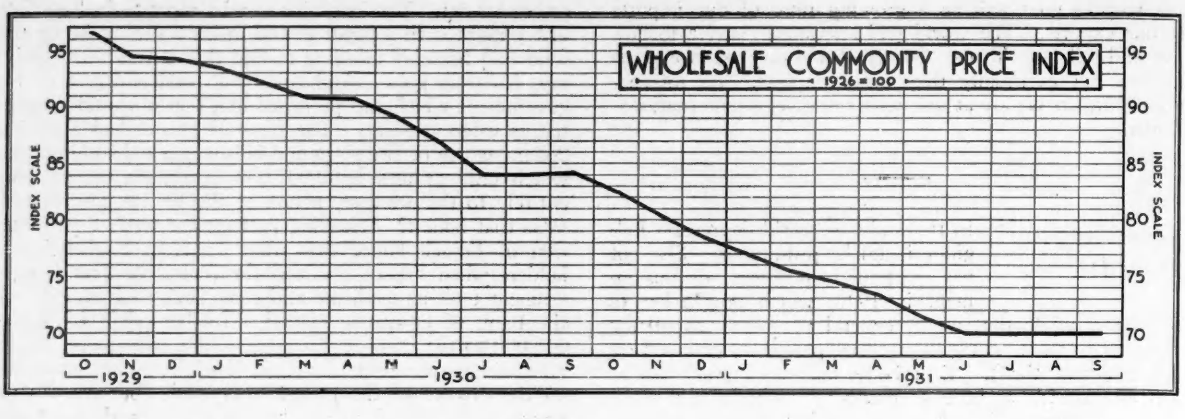

Four Months of Price Stability

Longest Interlude in Decline of Commodity Prices in More Than Two Years Is of Major Significance in Judging Future Course of Business and Securities

By George E. Anderson

OPTIMISM is an important factor in any prediction that commodity prices have reached bedrock and will be more or less stable at present levels until there is a permanent and decided turn for the better. Nevertheless, there is reason for tentative optimism along such lines as autumn business approaches.

In the first place there is the fact that the long, long drop in prices which has been going on for two years has gradually but decisively slowed up and finally taken a turn for the better and that elusive economic authority known as the wholesale price index, whose books are kept by the Bureau of Labor Statistics of the Department of Labor in Washington, has not only remained comparatively stable during the past four months of normally increasing summer dullness but in the last monthly report showed an actual upturn. In the second place is the fact that in basic commodities like cotton, wheat, sugar, coffee, iron, copper and the like in which world-wide overproduction has been chiefly responsible for inordinate declines the worst is now known and more or less thoroughly discounted and practical action is being taken to get rid of surpluses.

Buyers and sellers now know where they stand and present prices very largely represent their discount of all unfavorable factors. In industry there is a better gearing of production to consumption and factories are now manufacturing only what they have a reasonable chance of selling. Present American prices are more completely in harmony with world prices and therefore rest upon a firmer foundation. There is also an economic principle by which a long period of lowering prices caused by restricted consumption rights itself; for although buyers generally may refrain from buying for a period there comes a time when clothes must be renewed, the kitchen range repaired,—in short, when stocks of goods are exhausted and buying must be again resumed; for there is a limit to everything, even a buyer's strike, and that limit seems to have been reached.

The critical feature of the general price situation in the country is in farm products, particularly cotton and wheat. With an extraordinary large cotton crop in sight and a heavy carryover it is inevitable that cotton prices are low. The situation in wheat is practically the same with the large crop already realized. However, several important facts are to be noted. After the natural recession in prices caused by the first impact of the government's crop reports on wheat and cotton there has been comparative steadiness in the market and the usual price fluctuations have been within a comparatively narrow range. Since the full truth of the cotton and wheat situation is now known the growers at last know the worst and can plan accordingly. There is no longer any occasion for pessimistic guesswork, and those farmers who can afford to do so are simply refusing to sell at current prices.

There is a limit below which they will not go and that limit seems to have been reached. Then, too, the Farm Board is no longer interfering with the market in either commodity but is doing much toward disposing of its accumulated stocks abroad while in the meanwhile it is confining its aid to farmers to loans for the orderly marketing of the crops and present stocks in a legitimate, proper and helpful way. Already it has contracted with foreign governments for the export of nearly 50,000,000 bushels or

well toward a fourth of its stock of wheat. The present price of cotton is stimulating exports in increasing amounts to countries which otherwise would not take so much American staple, as for instance China and other parts of the Far East.

It may be expected that recovery in both cotton and wheat will be slow but undoubtedly the peak of stocks has been reached in both commodities the current year and the tendency in this country at least will be toward smaller crops and reduced surpluses while in any event the future of both commodities is recognized and already duly discounted. Slow recovery in farm products naturally will slow up recovery in food products and, to some extent, cotton textiles and unfavorably affect the textile group as a whole. But the situation is far better than it has been.

Slow Agricultural Recovery

It seems likely, also, that pessimism as to the farm product situation has been rather overdone and that the influence of the situation of agriculture, bad though it certainly is, is not affecting the general business situation as acutely as is generally credited. In general, month to month variations in farm product prices, except as they mark a clearly defined trend, may be misleading. In considering average prices as a business index it is important to note that the prices of farm products normally vary over a wider range and in shorter periods than manufactured products or the products of mines and therefore have an undue weight in price indexes when the latter are taken to measure long time trends. Farm and food products in the government's price index also are given a weight of 43.75 per cent of the whole which is larger than their value justifies. The result is that current quotations on farm products, particularly cotton and wheat, carry the average lower than it should be and serve to retard an improvement in rate which a more accurate weighted value for other articles would show or accelerate. As a measure of the buying power of the farmer and of the country generally farm product prices also are to be considered in connection with the size of the crops. After all, while prices of farm products are low there have been exceptionally large crops. The farmer might have done better with smaller crops at higher prices but at least he has done better with a large crop at low prices than he would with a smaller crop at low prices.

Commodities other than farm products and food products have been far steadier during the depression and give promise of earlier recovery, in fact it is probable that advances in these commodities will not only be the first to raise the general level but that they will do so in spite of the dragging effect of the agricultural factor. Prices of goods other than farm products and foods fell 32.2 per cent between May, 1929, and August, 1931; farm products decreased in value 38.2 per cent and now while farm products continued to fall in August, this year, other products, including foods based on farm products but in which the element of manufacture enters, have shown an increase in price. Perhaps the most significant phase of the situation is that in those items in which declines are to be noted, the range of fluctuations is growing more and more narrow from day to day. For instance, the index number for all farm products which was 84.9 in August a year ago and has gradually fallen ever since, was 65.4 in June, 64.9 in July and 63.5 in August,—a range of less than 3 per cent in the most critical months of the agricultural year. The prices of foods, closely related to those of farm products, had an index of 84.9 in August a year ago. It fell to 72.4 in June but advanced to 73.1 in July and 73.7 in August,—a distinct turn for the better. Textile products, also depending largely upon cotton, had a percentage of 77.7 in August a year ago but fell to 63.3 by May. In June and July it was steady at 65.4. In August it dropped to 64.2,—a loss of less than 2 per cent as a reaction against the government's cotton crop report for July and August. All other products than farm products and foods averaged at the level of 83.3 in August, 1930, ranged down to 71.9 in June, 71.8 in July but up to 72.3 in August. Fuel and lighting reached its low level of 58.1 in June but turned upward to 58.2 in July and up to 62.3 in August.

Prospects of Control

Copper is another weak spot in the general situation. Overproduction in the copper producing industry has continued in spite of mounting stocks which have reached the highest point in history and present production is higher than that justified by demand. Prices have been further depressed by distress selling in Europe and on the face of things the situation is not at all promising. But copper is a commodity whose production is subject to a certain amount of control in a pinch, and there are indications that the pinching point has been reached with considerable prospect that there may be a complete shut down of copper mines to "improve the statistical position." At all events it is not likely that the producers will long continue to mine their product for sale at seven cents a pound. The prospects in iron and steel have considerably improved in the past month and the *Iron Age* composite prices have remained steady. The wholesale index rate for all metals and metal products which was 92.7 in August a year ago was 87.8 in May, fell to 87.4 in June, started upward to 87.5 in July and reacted to 87.1 in August, a range of less than .8 of 1 per cent in four months. Building materials fell from 87.4 a year ago to 75.4 in August this year, the rates in the past four months having a maximum range of 3.5 per cent. Raw materials have varied .8 of 1 per cent in the past three months. Semi-manufactured products as a class have had a maximum range of 1.5 per cent in four months while finished manufactures as a whole, embracing almost everything actually reaching the consumer aside from food, reached 74 in June and July but rose to 74.6 in August with a maximum range of 1.3 per cent in four months.

Of course there are soft spots in the list and there are likely to be others before the process of adjust-

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If Rubber Goes Native

Will Plantation Abandonment Resulting from Destructively Low Prices Affect American Manufacturers?

By J. C. Clifford

IN 1925 crude rubber sold well over a dollar a pound. Now it is worth about five cents. It is clear from the drastic decline in price alone that there have been far-reaching changes in the industry. But it may not be realized that rubber production is being revamped from top to bottom.

In November, 1928, the so-called Stevenson Plan for restricting rubber output blew up with a loud bang, as is frequently the fate of such schemes whose primary objective is price-fixing. The fundamental cause lies in the old economic law that if prices are raised or artificially maintained at a high level production is automatically stimulated. So with rubber. The restricted British output remained more or less steady at about 260,000 tons for the five years to December 31, 1927, but the unrestricted production of Dutch, native and other growers increased by leaps and bounds. At the end of the period the two were not far from equal, leaving the British with a very much smaller proportion of the world's output than had been theirs prior to restriction.

An English Commodity

Overproduction was further intensified by the not unwarranted hostility of the United States to Britain's plan. Mr. Hoover, then Secretary of Commerce, inaugurated a campaign for rubber conservation. Vast quantities were reclaimed. Efforts were made, more or less successfully, to produce rubber from domestic shrubs and trees. And so the crash.

The consequences to English companies and England generally are most serious. Rubber from England's standpoint is a particularly valuable commodity at the present time, for we are the greatest consuming country in the world, having taken in the last few years between 55 per cent and 70 per cent of the total output. To England rubber means dollars. These she needs for paying her debt to us and to purchase other things which we can supply more cheaply than any of the other countries.

Now it is obvious that she is obtaining a very much smaller number of dollars for her rubber at the present time. And incidentally she needs them more than ever since the temporary suspension of the gold standard. There is reason to believe that every pound of rubber sold at current prices represents a loss of between seven and eight cents, for even the most efficient plantations are estimated to have a cost of at least twelve cents a pound.

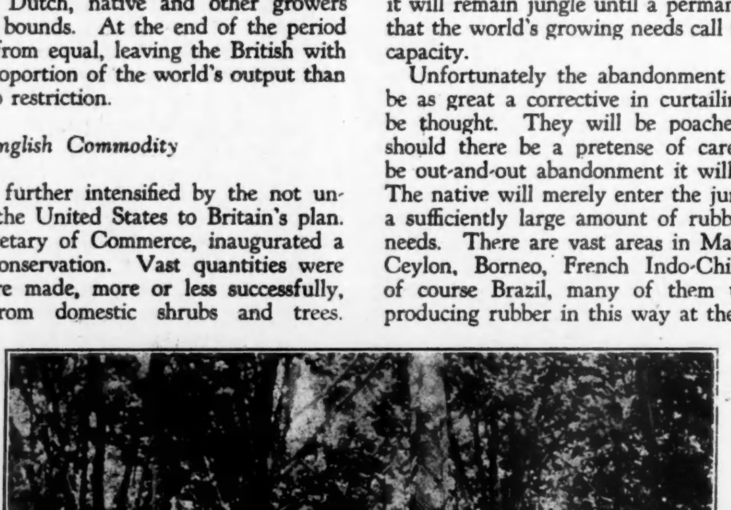
Back to the Jungle

Such a situation cannot prevail indefinitely. Even now a number of the weaker companies are bankrupt. Acreage planted in rubber is going back to the jungle. Moreover, it will remain jungle until a permanent rise in price signals that the world's growing needs call for a greater productive capacity.

Unfortunately the abandonment of plantations will not be as great a corrective in curtailing production as might be thought. They will be poached by the natives even should there be a pretense of care-taking. Should there be out-and-out abandonment it will not even be poaching. The native will merely enter the jungle and come out with a sufficiently large amount of rubber to suit his primitive needs. There are vast areas in Malay, Dutch East Indies, Ceylon, Borneo, French Indo-China, Siam, Africa and of course Brazil, many of them unsurveyed, which are producing rubber in this way at the present time.

There is a paradox in native production. Low prices up to a certain point tend to stimulate rather than curtail output, for if the native who previously needed but five or ten pounds of rubber to exchange for his wants finds that he now needs twenty pounds he will bring in twenty.

Under such conditions, is there anything that the plantation owner can do to lessen the pain caused by the working of the inexorable law, "survival of the fittest"? There are only two pos-



Photos, Courtesy Rubber Age

Native Labor Taps the Trees

sible courses open to him. He can cut his costs or he can raise prices. The first might be possible to some extent but it is a slow gradual process involving the development of trees which yield a great deal more rubber than those he now taps. As a rubber tree takes some five or six years to come into bearing, the time taken to effect this can easily be imagined. And there is not this time to spend, for money is now being lost so fast that most companies will be out of business long before their efforts could be successful.

Likewise, as many difficulties attend any attempt to raise prices. With the catastrophic Stevenson Plan only just behind them producers are extremely reluctant to take any action which would mean sacrifice to them and benefits to the independents. And yet to arrange a satisfactory working agreement between British, French, Japanese, American and above all native producers appears to border on the impossible. Of course, a plan which was not all-inclusive might possibly be evolved which would work for a time, but this would just be the Stevenson Plan all over again and the ultimate situation would probably be as bad if not worse than it is at the moment.

On the whole perhaps the weeding-out process is inevitable. Rubber prices are now so low that the next major movement must surely be upwards even though it may take a long time to develop. Indeed, the delay is almost certain to be lengthy, for the world's visible stocks at the present time are about equal to ten months' supply at the current rate of consumption.

The troubles of the plantation growers, however, are mostly their own. Neither the United States nor the rubber manufacturing industry of the country are affected to any great extent. All we want of rubber is an adequate supply at a reasonable price. At the present moment we are benefiting from the unprecedently low quotations but even should they rise very materially there would probably be no serious objection for we recognize that the current quotation is basically unsound as being below the cost of production.

American Producers

While it is true that the country as a whole need not be seriously concerned with the crude situation, it is a serious matter for American owned plantations. In comparison with world production they are of course minor influences but to the companies and individuals owning them their importance is considerable. In 1930, United States Rubber Co. with plantations in the Far East produced about 36,320,000 pounds of rubber at a loss, not including non-recurring items, of about three-quarters of a million dollars. The Firestone Tire & Rubber Co.'s plantation in Liberia has been an expensive experiment for it is not yet in bearing. The same may be said of Ford's attempt to procure an American-owned supply of rubber from Brazil.

To these three companies the changing status of rubber means much the same as it does to the European plantation owner. Present rubber prices spell severe loss and possibly abandonment of plantations, if improvement be long delayed.

Even this, however, is not of vital importance to them, for they will possess their manufacturing activities, which will be practically unaffected. This division like that of all companies solely engaged in manufacturing rubber products may for a time be obliged, should there be a preponderance of native rubber, to work with a product which is not quite as clean or as uniform in quality as that to which they have been accustomed. But the native would soon learn that it pays him to produce the higher grades and take better care to do so.

Manufacturers' Position

Our manufacturing rubber industry, however, has its own troubles which lie entirely outside the question as to how the raw material is to be produced in the future. In the first place it is blighted with an excessive productive capacity intensified by the action of the companies themselves.

The industry can be divided into three divisions. The first of these is the manufacture of automobile tires including tubes and sundries. This is by far the most important at the present time and has a dollar value around 70 per cent of the total. Rubber boots and shoes make up the second division, while miscellaneous rubber products make up the third.

The long-term outlook enjoyed by rubber tires cannot be considered particularly bright, despite their recent good showing. An excessive capacity has been emphasized by the actual physical improvement of the casings. In 1917, the renewal rate was some 3.65 tires per car, in 1929 the rate was 2.10, while for the current year the estimate is put even lower than this. Furthermore, there is evidence that automobile production is rapidly approaching a renewal basis. These two factors appear to preclude the possibility of any phenomenal expansion such as took place in the industry during the decade 1910 to 1920.

(*Please turn to page* 803)

Statistical Comparison

Company	Earned per Share 1928	1929	1930	Current Price	Div.	Yield	Working Capital June 30, 1931	Interim Earnings
Goodyear	$7.45	$9.34	$3.16	$32	$3	9.4%	$101,412,000	$1.06 a
U. S. Rubber	nil	nil	nil	7	..	....	62,150,000	nil a
Goodrich	1.50	4.53	nil	7	..	....	69,484,000	nil a
Firestone (d)	13.81	2.74 b	nil	15	1	6.7%	52,230,000 e	0.51 c

a 6 mos. June 30, 1931. b Stock split 5 for 1. c 6 mos. April 30, 1931. d Fiscal year ends Oct. 31. e As of Oct. 31, 1930.

BALTIMORE & OHIO 4½s, 1960

Speculative Opportunities in Rail Bonds

Recent Weakness in Bond Market Permits Purchase at Level to Return High Yield—Earnings Position Reasonably Safe

By RONALD P. HARTWELL

THE junior bond issues of some of the strong railroad systems in this country have dropped precipitously to what appears excessively low levels. The position of railroad securities, of course, has suffered because of the downward trend in earning power brought about by the severity of the business depression, but in many of the stronger roads the position of the bond issues even with present low earning power is reasonably safe, with earnings sufficient to cover interest requirements by a considerable margin. At present low levels many of these bonds give a high return even when considered from the standpoint of current yield, and unquestionably when conditions again become more normal a recovery in price can logically be expected.

At their recent price level of about 62 the 4½% Convertible Gold Debenture Bonds due February 1, 1960, return a current yield of approximately 7.3%. These bonds were originally issued in February, 1930, to holders of the stock of the company at 95 and accrued interest for a principal amount equal to 20% of the holdings in the stock.

The bonds are a direct obligation of the company but are not secured by a mortgage on property. The company convenants, however, that it will not create any new mortgage or deed of trust other than to extend or refund obligations secured by mortgage executed prior to February 1, 1930, upon any of the lines of the railroad or other property including stocks, bonds and other securities unless provisions are made in such new mortgage or deed of trust that these bonds shall be secured ratably with any other indebtedness secured thereby.

Earnings Record of Baltimore & Ohio R.R.

	Total Operating Revenue	Available for Fixed Charges	Bond Interest Times Earned
1924	$224,318,794	$42,335,951	1.65
1925	237,546,940	48,312,342	1.79
1926	252,361,830	57,168,836	2.04
1927	246,078,510	52,723,431	1.81
1928	236,818,681	56,098,698	2.13
1929	245,418,776	56,792,466	2.13
1930	206,660,435	50,579,635	1.74

Junior Issue

The Convertible 4½s of 1960 are outstanding in the amount of $63,031,000 and are subject to prior liens aggregating approximately $435,000,000. The issue is callable as a whole only on 60 days' notice on February 1, 1936, or on any interest date thereafter to and including February 1, 1955, at 105 and interest, or on any interest date thereafter at 100 and interest plus a premium of ½ of 1% for each six months' period of unexpired term. No sinking fund for the bond issue is provided.

The conversion feature in connection with the bond, of course, has no value at the present time. As a matter of record, however, the bond is convertible into common stock of the company at any time after February 1, 1931, and before February 1, 1936, at $120 per share, thereafter to February 1, 1941, at $125 per share, and thereafter to February 1, 1946, at $130 per share. The conversion prices are subject to adjustment in case additional stock is issued at less than the conversion price in effect at the time of such issue, or in case a stock dividend is declared.

The capital structure of the B. & O. system includes $633,313,000 funded debt with about $51,042,000 guaranteed bonds; about $58,863,000 noncumulative preferred stock and about $256,295,000 common stock. Approximately two-thirds of the capitalization, therefore, consists of bonded indebtedness, a ratio which may be considered fairly high for a railroad capital structure.

The Baltimore & Ohio Railroad sys-

tem as of December 31, 1930, operated 6,566 miles of road. This total includes the Buffalo, Rochester & Pittsburgh with 520 miles of operated lines and the Buffalo & Susquehanna with 238 miles. Roughly, the lines of the B. & O. system extend from Philadelphia and Baltimore to Chicago and St. Louis. Entrance into New York is over the lines of the Reading of which the B. & O. owns at least 46% of the stock, and the Jersey Central, of which Reading has owned a legal majority for many years. The B. & O. claims to be the oldest railroad in the United States and in 1927 celebrated its hundredth anniversary.

The B. & O. is primarily a bituminous coal carrying road although it has built up a substantial freight business of other classifications. In 1930, with industry generally slack, it hauled 40,791,490 tons of bituminous coal which was 44.38% of the total freight movement. In 1929 the figures were 48,599,984 tons which was 44.71% of the entire freight movement. Manufactures and miscellaneous freight in 1930 aggregated 25,415,146 tons or 27.70% of the total, products of agriculture contributed 4.24% and products of the forest 3.33%.

With general business activity continuing the decline during 1931, revenues of the B. & O. system naturally have dropped off further. For the first seven months of the present year, for instance, gross revenues totaled only $96,250,002, which compares with $123,751,050 for the corresponding period of 1930 or a drop of 22.3%, and with $141,457,069 in the 1929 period or a drop of about 32%. The net operating income for the seven months of 1931 was $14,247,903 a decline of 33.2% from the $21,371,934 reported for the 1930 period, and a decline of 48.5% from the $27,669,787 reported for the first seven months of 1929.

Expenses Curtailed

The company's showing during the first seven months of 1931 was aided by a sharp curtailment of expenses. Maintenance costs were lowered by $11,520,278, traffic and transportation expenditures by $7,600,388 and all expenses including general and miscellaneous items by $19,516,407. Economies thus effected were largely dictated by business conditions and declining gross revenues, but when the major economic trend is again reversed and revenues start climbing the increase in business can probably be handled with little increase in expenses. When this time arrives, recovery in the net earnings will unquestionably be rapid.

(Please turn to page 814)

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atchison, Top. & S. Fe 4s, 1955	273.3	3.77	110	98	4.1	4.1
Illinois Central 1st 4s, 1951	....	1.5	(N)	95	4.2	4.4
Southern Pacific 1st 4s, 1955	12.4	2.0X	105	93	4.3	4.5
Pennsylvania Gen. 4½s, "A," 1965	184.0	1.9	(N)	95	4.7	4.7
Rock Island-Frisco Terminal 1st 4½s, 1957 (d)	....	X	102½T	96	4.7	4.9
Pennsylvania 5s. 1964	....	1.81	102T	100	5.0	5.0
Central Pacific Guar. 5s, 1960 (a)	....	1.91	105 ('35)T	98	5.1	5.1
New York Central Deb. 6s, 1935	630.2	1.54	110	105	5.9	5.7
Chic. & W. Indiana 1st Ref. 5½s, 1962	49.9	X	105	97	5.7	5.7
Carolina. Clinchfield & Ohio 1st & Cons. 6s, 1952 (b)	14.2	X	107½T	100	6.0	6.0
Nor'n Pacific Ref. & Impr. 6s, 2047 (a)	165.6	2.12	110 ('36)	98	6.1	6.1
Great Northern Gen. A 7s, 1936 (b)	139.8	1.98	....	103	6.8	6.3
Balt. & Ohio Ref. & Gen. 6s, 1955 (a)	285.3	1.64	107½A ('34)	96	6.3	6.3

Public Utilities

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Indiana Natural Gas & Oil Ref. 5s, 1936	....	3.02	....	102	4.9	4.5
Pacific Gas & Elec. Gen. Ref. 5s. 1942	29.0	2.67	105T	103	4.8	4.6
Consol. Gas of N. Y. Deb. 5½s. 1945 (a)	191.1	5.51	106T	106	5.2	4.9
Utah Power & Light 1st 5s. 1944	....	2.26	105	100	5.0	5.0
Montana Power Deb. 5s, 1962 (a)	33.3	2.25	105T	95	5.3	5.3
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A" (a)	8.4	2.79	110	105	5.7	5.5
United Lt. & Rys. 1st Cons. A 6s, 1952 (b)	11.3	2.15	(N)	105	5.7	5.6
Arkansas Power & Light 1st & Ref. 5s, 1956 (c)	2.0	2.26	105	91	5.5	5.7
Columbia Gas & Elec. Deb. 5s, 1952	....	3.27	105T	92	5.4	5.7
Hudson & Manh'n 1st Ref. 5s, 1957 (b)	5.9	1.53	105	88	5.7	5.9
Duke Price Power 1st 6s, "A," 1966	36.7	1.41	105¼T	94	6.4	6.4
Amer. W. Wks. & El. Deb. 6s, 1975 (a)	12.7	1.42	110	92	6.5	6.6
New Orleans P. S. 1st & Ref. A 5s, 1952 (a)	9.7	1.37	104	81	6.2	6.7
Standard Gas & Elec. 6s, 1966 (b)	432.2	1.42	105T	84	7.1	7.3
Standard Gas & Elec. 6s, 1935	432.2	1.42	103	92	6.5	8.4

Industrials

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Allis Chalmers Deb. 5s, 1937 (a)	....	5.39	103T	102	4.9	4.7
Midvale Steel & Ord. Conv. Coll. 5s, 1936 (a)	....	4.34	105	100	5.0	5.0
Gulf Oil Deb. 5s, 1947 (c)	....	2.99	104AT	100	5.0	5.0
United Drug Deb. 5s, 1953 (b)	1.7	11.73	105	97	5.2	5.2
National Dairy Prod. Deb. 5¼s, '48 (a)	....	7.62	105T	97	5.4	5.5
Sinclair Pipe Line 5s, 1942 (a)	....	5.30	103	95	5.3	5.6
Youngstown Sh. & Tube 1st 5s, 1978 (a)	....	2.93	105T	88	5.7	5.7
Lorillard, P., Deb. 5½s, 1937	19.9	2.82	101½	91	6.0	7.4

Short Terms

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Humble Oil & Ref. Deb. 5½s, '32 (b)	....	7.84	102½A	102½	5.4	..
Smith (A. O.) 1st S. F. 6½s, 1933 (a)	....	22.76	101T	101½	6.4	5.4
Middle West Utilities 5s, 1933	881.6	1.42	101½	83	6.0	..

Convertible Bonds

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Am. Tel. & Tel. Conv. 4½s, '39	Com.@175.4	6.10	105	116	3.9	..
Atch., Top. & S. F. Deb. 4½s, '48	Com.@166.6	3.77	102	110	4.1	3.7
N. Y., N. H. & Hart. 6s, '48	Com.@100	1.92	....	104	5.8	5.6
Texas Corp. 5s, 1944	Com.@70	3.34	102T	90	5.6	6.1
Baltimore & Ohio Conv. 4½s, '60	Com.@120	1.64	105	70	6.4	6.9
Inter'l Tel. & Tel. Deb. 4½s, '39	Com.@63.9	2.27	102½	71	6.3	9.8

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100.

* On total funded debt. A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (N) Not callable until 1947.

PUBLIC SERVICE CORP. OF N. J.

Increases Earnings in Year of Depression

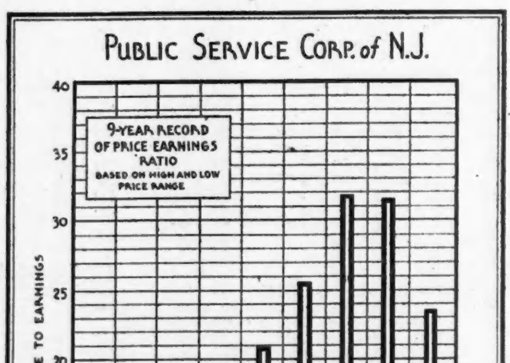
Highly Industrialized Territory of Operation Has Shown Remarkable Growth

By FRANCIS C. FULLERTON

SO closely are the fortunes of the electric and gas companies related to the territories which they serve that the indications of the future growth and progress of a utility company's territory as revealed in the census figures may almost alone be used in forming an opinion regarding the future possibilities and potentialities of the company. Indeed, there is no branch of our business structure whose future expansion is more sharply defined by the prosperity of the communities surrounding its properties than the public utility industry.

The publication some months ago of the final figures of the 1930 census, therefore, provides a valuable source for making an appraisal of the future possibilities lying ahead of the various public utility companies, and especially so for those enterprises which like Public Service Corp. of New Jersey operate in a limited but nevertheless clearly defined territory. The progress of Public Service Corp. of New Jersey is intimately tied up with the progress of the State of New Jersey as it is the chief enterprise of its kind operating therein, and indeed in the most rapidly growing sections of that state.

While New Jersey is one of the smallest states in the Union, ranking forty-fifth in respect to area, the intensive growth experienced in the past thirty years has advanced the position of the state from sixteenth in population in 1900 to ninth in 1930. The population in 1930 was 4,041,334 which figure represents an increase of 28.1% over 1920. This growth compares with 16.1% for the United States as a whole over the same decade and is one of the largest percentage gains recorded in the recent census figures. In spite of its small area, New Jersey ranks seventh with respect to wealth and sixth in the value of its products. Furthermore, the state is represented in 191 of the 365 groups in which the United States Bureau of Census separates the industries of the country, thus clearly indicating the unusual diversification of its industrial development.



Geographically, the territory of Public Service finds few peers in any section of the country so far as public utility operations are concerned. Forming a belt between the two great cities of New York and Philadelphia, the area is exceptionally compact, with unexcelled facilities for both rail and ocean transportation, and with excellent labor market, all of which factors establish the territory as an ideal location for industrial enterprises. The section of the state served by Public Service, while it comprises only about one-third of the total area contains more than 90% of the population and more than 90% of the industrial concerns.

The trading sphere of this area is much greater than that embraced within its own confines. It is estimated that communities within overnight trucking distance of Newark, the largest city in New Jersey, have a combined population of approximately 20,000,000 people—thus giving New Jersey manufacturers easy access to more than 17% of the total population of the United States.

In this territory, Public Service has

benefited from the rapid growth brought about by the exceptional advantages, until it now comprises one of the largest public utility systems in the country. In 1903, when the holding company was organized from some ten separate utility enterprises, the electricity produced amounted to 129,614,180 kw.-hrs.; in 1930 the company produced 1,871,461,178 kw.-hrs. of electric energy. Gross revenues during this same period have increased from $9,220,522 reported for the seven months in 1903 to $138,161,946 for the year 1930.

The electric branch of Public Service's business in 1930 contributed 48.7% of the total gross revenues of the system and is by far the most important of any of the services rendered. Gas service produced 23.0% of the gross revenues and the remainder or 28.3% came from transportation. The net earnings of the system are derived almost entirely from the electric and gas divisions of the business. Profits from transportation, in common with most local traction and transportation operations, are difficult of attainment.

In former years, transportation operations contributed a much larger portion of the gross earnings than at the present time. In 1916, for instance, transportation accounted for approximately 43% of the total gross but this has been dropping off steadily. In 1920, for instance, transportation operations produced only about 38% of the gross while in 1925 this dropped to about 32% and in 1930 to about 28%. Gas operations, while steadily gaining in actual revenues, have likewise been contributing a smaller percentage of the total gross revenues. In 1916 gas revenues were 27% of the total gross; in 1920 this increased to 29% but in 1925 dropped to about 25%, and in 1930 to only 23%.

Offsetting the declining importance of the transportation operations and also the gas service have been the rapid strides made in the electric division of the system. Revenues from electric operations amounted to $12,814,597 in 1916 and increased more than fivefold to $67,369,351 in 1930. The electric revenues in 1916 comprised only 30% of the total gross, but by 1920 increased to about 33%, to 42% by 1925 and to approximately 49% in 1930.

Going into further detail regarding the company's business, we find that 62% of the total kilowatt-hour sales in 1930 were for power purposes, i. e., industrial usage, while 34% of the current sold was used for residential and commercial lighting and only 4% for municipal street lighting. The aggressiveness of the management of the company in acquiring new business is shown in the 3.3% increase in electric current sales. Power sales, i. e., for industrial purposes, declined less than 1% in 1930 as compared with 1929 sales, a remarkable showing when considering depressed business conditions prevailing and a tribute to the wide diversification of New Jersey's industrial structure. Sales of electricity for residential purposes and commercial metered lighting actually increased about 11% in 1930.

Gas sales of the system last year increased 5.95% but this reflects largely the acquisition of the Atlantic City, Peoples and County Gas companies. Industrial sales of gas constituted more than 12% of the total sales while commercial sales accounted for more than 14%. Most of the gas is still sold for residential purposes. The use of gas for house heating is making encouraging strides. Gas sold for this purpose in 1930 was 60% greater than in 1929 and the possibilities for rapid gains in this field are bright.

The revenues of Public Service so far during 1931 further attest the exceptional position of the company. For the twelve months ended August 31, 1931, for instance, total gross revenues amounted to $139,050,753 a slight gain over the corresponding period in 1930 when $138,832,969 was reported. The net remaining after operating expenses, taxes and depreciation charges for the 1931 period was $45,462,275 or 6.2% above that reported for the 1930 period. This increase in operating revenues is due chiefly to operating economies effected by the management and should be a particularly significant factor in augmenting per share earnings on the common stock when general business in this country is again on the upward trend.

Despite the declining trend in general business activity during the current year, Public Service for the first six months of the year showed an increase of about 1% in electric sales over the corresponding 1930 period. Gas sales also were slightly ahead. Industrial consumption, of course, showed a considerable falling off but this was offset by gains in other departments.

The balance for the common stock in the first half of 1931 amounted to $11,068,481 equivalent to $2.02 a share on the 5,503,193 common shares outstanding which compares with $10,557,409 in the corresponding half of 1930 equivalent to $1.92 a share on the common. The conservatism of the management is again evident in the liberal maintenance and depreciation provisions. In 1930, for instance, these together were equivalent to about 18% of the total gross earnings, while depreciation alone was 8.6% of the gross or $2.15 a share on the common stock. For the twelve months ended June 30, 1931, net for the common was $4.10 a share which compares with $4.01 for the calendar year 1930.

In common with the general market and with the public utility division of the market, the shares of Public Service have declined sharply in recent months. In part this probably reflects a certain amount of doubt regarding the immediate future but a more conservative appraisal of utility equities probably also explains the decline. At recent price levels around 62, Public Service of New Jersey common stock is selling for slightly less

(Please turn to page 809)

Three Years With Public Service Corp. of N. J.

	1928	1929	1930
Gross Operating Revenues			
Electricity	$58,860,099	$64,663,602	$67,369,351
Gas	28,683,369	29,622,462	31,801,682
Transportation	37,985,112	42,800,644	38,990,913
Total Gross Operating Revenues	125,528,580	137,086,708	138,161,946
Net Operating Income	36,972,495	41,830,768	43,410,345
Operating Ratio*	70.6%	69.5%	68.6%
Net Available for Common	16,246,865	21,069,031	21,547,793
Earned per Share on Common	$3.26	$3.93	$3.92
Dividends Paid on Common	2.40	3.40	3.40
Total Fixed Capital Investments	549,885,782	578,466,125	626,418,671
Electricity Sold—K.W. hrs.	1,406,258,947	1,646,998,338	1,701,815,456
Gas Sold—M. cu. ft.	23,826,833	24,797,895	26,272,547
Electric Customers	846,145	886,797	912,357
Gas Customers	739,923	760,127	823,236

* Ratio of operating expenses, maintenance, taxes and depreciation to gross revenues.

PROCTER & GAMBLE CO.

Sales and Profits Well Maintained

Leader in an Essential Industry Continues Fast Rate of Expansion

By PHILLIP DOBBS

NEARLY a hundred years ago, an Englishman and an Irishman lately arrived in this country, formed a partnership. The former was William Procter, a maker of candles. The latter, James Gamble, made soap. The business prospered. Today, there can hardly be a man, woman or child in the United States to whom the slogans "It Floats" and "99 44/100% Pure" fail to convey "Ivory" soap. Indeed, most of them would go a step further and immediately think of the manufacturer, The Procter & Gamble Co.

Soap, however, is not the company's only product. In 1905 it entered the food business and now this division contributes as much to dollar sales as the other. Nevertheless, they both supplement one another, for the raw materials used in each are very similar. These include cottonseed oil, of which Procter & Gamble is the largest producer in the country, maintaining a number of mills located at strategic points throughout the South for the purpose. Copra is also important. This is the dried meat of coconuts from which coconut oil is extracted. In addition, tallow, olive oil and whale oil are materials which the company buys in large quantities.

Recent Expansion Vigorous

While in the ninety-four years of its existence the business has never looked back, Procter & Gamble's expansion recently has been particularly vigorous. In 1928 the Globe Soap Co. was acquired, in 1929 the Duz company, while in 1930 a controlling interest was bought in Thomas Hedley & Co., Ltd., the largest independent soap manufacturer in England.

The last acquisition was particularly interesting as it carried the war with the Lever Bros. interests, makers of "Lux," "Lifebuoy" and "Sunlight," into the enemy's territory. It added such well-known brands as "Fairy," "Supersol" and "Olivso" to "Ivory," "Camay," "Chipso" and the cooking fat "Crisco." In addition, Procter & Gamble will benefit from the olive groves and pressing plant in Spain which are owned by the English Co. Furthermore, it is reported that Hedley's plants have been enlarged and it is thought that Procter & Gamble propose to make their own products there as well as carrying on the old lines.

James S. Kirk & Co. of Chicago was also purchased last year and the capacity of its plant materially expanded. The company is an important one and

Information as of

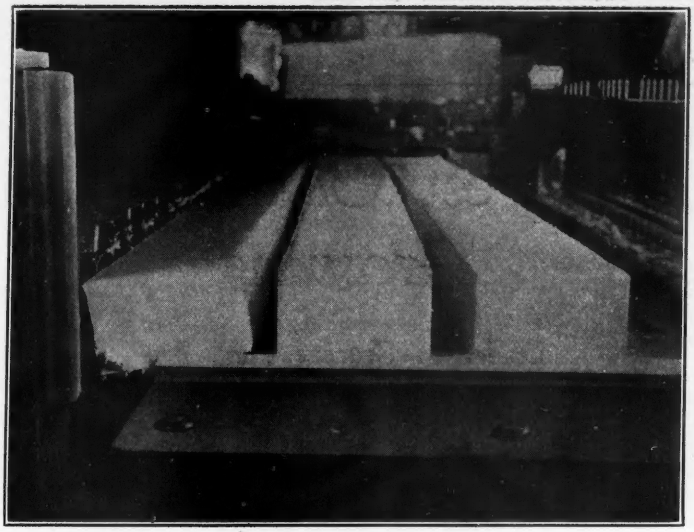
One Line Analyses of Common Stocks in This Issue from The

	Company	Ticker Symb.	Listed	Rating	Business	Funded Debt	Shares Outstanding	Par	DIVIDENDS Rate	Payable	Record Date
1	American Home Prod.	HPT	N	A2	Patent drugs	None	611,000	No	4.20	*mo*-1st	15th
2	American Sugar Refining	ASR	N	C1★	Sugar refining	18,873,000	450.000	100	5.00	*q*-10/2	9/5
3	Associated Dry Goods	DG	N	B2	Chain department stores	6,057,000-M	588,940	No	2.50	*q*-8/1	7/17
4	Best & Co.	BST	N	B1	Apparel retailers	950,000-M	300,000	No	2.00	*q*-9/15	8/25
5	Chicago, Rock Island & Pac.	RI	N	C2	Northwestern carrier	321,981,335	743,597	100	9/30/3	1 div. p	assed
6	Childs Company	CDI	N	B1★	Restaurant chain	10,684,288	362.370	No	9/10/3	1 div. p	assed
7	Great Atlantic & Pacific	GAP	C	B1	Retail grocery chain	None	2,086,748	No	6.00	*q*-9/1	8/7
8	International Business Mach.	IMN	N	B1	Office machinery	2,987,000	637,954	No	6.00	*q*-10/10	9/22
9	Macy (R. H.) Company	MZ	N	B1	Leading N. Y. department store	900,000-M	1,437.672	No	3.00	*q*-11/16	10/23
10	Pittston (The) Company	PCO	N	D2	Anthracite coal	None	1,075,100	No	7/1/3	1 div. p	assed
11	Procter & Gamble	PGM	N	A1	Soap and food products	10,600,000	6,410,000	No	2.40	*q*-8/15	7/25
12	Public Service N. J.	PUB	N	A1	Utility holding	229,657,601	5,503,193	No	3.40	*q*-9/30	9/1
13	Shattuck (F. G.)	FHK	N	C1	Restaurant and candy chain	2,335,250-M	1,290,000	No	1.00	*q*-10/10	9/19
14	Westinghouse Electric	WX	N	C1★	Electrical manufacturing	None	2,586,341	50	2.50	*q*-10/31	9/30
15	Woolworth (F. W.)	Z	N	B1	5 and 10 cent chain store	3,437,500-M	9,750,000	10	2.40	*q*-9/1	8/10

M—Mortgages

well entrenched in the territory. Its brands include "Jap Rose," "Kirk's" and "American Family." Cosmetics and fancy soaps are also made. The acquisition of the Kirk company was very advantageous to Procter & Gamble, for it eliminated much duplication of sales effort in an important territory. Furthermore there has been a saving in transportation expense.

A few months ago Procter & Gamble purchased the assets of Sabates, S. en C. of Cuba, one of the largest soap and candle manufacturers in the island. It is calculated that there is a potential market in Cuba for 60,000,000 pounds of soap annually having a retail value in the neighborhood of $6,000,000.



Giant Bars of Ivory Soap

Domestic Plants Enlarged

In addition to the acquisition of going manufacturing concerns, the parent company itself has expanded. A new $5,000,000 plant at Baltimore was completed last year which will serve the North Atlantic Seaboard. At Long Beach, Calif., yet another plant has just been put in operation. This will not only serve the West to advantage but will be an excellent receiving point for copra which is produced in the tropical Orient. Other steps lately taken by The Procter & Gamble Co. in order to strengthen its position in regard to raw materials include the acquisition of a mill at Baltimore for crushing copra, which now supplements the old mill at Cincinnati. Several cottonseed crushing companies have been purchased also, one of them, the Portsmouth Cotton Oil Refining Co., producing edible products under its own name. Finally, The Procter & Gamble Co. has constructed the largest mill of its kind for making cellulose at Memphis. Cellulose is used by the artificial silk industry.

Even though the business of Procter & Gamble is incredibly wide, complicated and profitable, it is something more than a mere money making enterprise. It is a pioneer in many ways. One of the first to realize the stabilizing influence of national advertising, the company further flattened the peaks and valleys of production by the instigation of a direct-to-retailer selling policy. More important still the company is a model of amicable relationship between capital and labor. A plan has now been in operation some seven years whereby employees are guaranteed at least forty-eight weeks of full time work for full pay during the year.

They also benefit from a profit sharing and stock subscription plan in addition to having the privilege of electing three of their number to represent them on the board of directors every year.

The capitalization of The Procter & Gamble Co., as of June 30, 1931, consists of $2,250,000 in 8% cumulative preferred stock, $17,156,900 in 5% cumulative preferred stock which is followed by 6,410,000 shares of no-par common stock. Funded debt totals $10,600,000 while there is also a small issue of subsidiary preferred stock outstanding. The parent company's preferred stocks are all of $100 par value. The 8% issue is non-redeemable and is entitled to vote. The 5% issue is callable at $115 a share until 1939 and afterwards at $110 a share. It has no voting power.

Profits Well Maintained

Despite the fact that net sales of the year ended June 30, last, totaled only $176,157,042 compared with $192,352,591 for the previous twelve months, net profit was slightly higher in the later period. This was a remarkable achievement even admitting that the company produces a necessity and is one of the most efficiently operated in the world. Specifically, the excellent showing was as much owing to greater tonnage sales as it was to the precipitous decline in raw materials, for many of these benefits were passed

(*Please turn to page* 804)

September 22, 1931

Magazine of Wall Street's Adjustable Stock Ratings Booklet

Earnings: Annual 1929	Earnings: Annual 1930	Earnings: Interim 1930	Earnings: Interim 1931	Price Range 1930: High	Price Range 1930: Low	Price Range 1931: High	Price Range 1931: Low	Recent Split-up or Stk. Div.	Complete Analysis is See Page	Comment	
5.47	5.49	2.59*je6*	2.77*je6*	69¾	46½	64	45⅝	....	802	Earnings impressive during depression	1
8.40	6.24	....	....	69⅞	39¼	60	42	....	797	Profits affected by sales and price declines	2
3.49C	3.41*ja*	3.41*ja*	2.02*ja*	50½	19	29⅝	12½	....	802	Second half outlook appears better	3
6.52*ja*	4.20*ja*	1.99*jl6*	1.73*jl6*	56¼	30⅜	46¼	29	....	786	Strong financially: earnings well maintained	4
14.04	5.56	*d*0.14*je6*	*d*2.63*je6*	125⅛	45¼	65½	20	....	802	July traffic increase not maintained	5
2.56	2.31	1.36*je6*	1.21*je6*	67⅝	22⅞	33¾	11¾	....	796	Marked sales improvement during recent weeks	6
11.02*fe*	11.77*fe*	11.77*fe*	13.86*fe*	260	155	260	167½	....	784	Aided by declining commodity prices	7
11.04	11.53	5.46*je6*	5.64*je6*	197⅛	131	179¾	117	5% 1/31	796	Continuance of upward earning trend assured	8
6.86*ja*	6.70*ja*	6.70*ja*	4.81*ja*	159¼	81⅝	106¼	64⅞	5% 2/31	786	Strong, well managed co.; net slightly off	9
Org. 1930	1.90	N.F.	0.41*je6*	22⅞	18¼	18¼	12⅜	....	802	Near term prospects clouded; net income less	10
2.97*je*	3.38*je*	3.38*je*	3.37*je*	78⅞	52⅝	71¼	45¾	....	782	Strong company; expanding rapidly	11
3.15	5.81	....	....	123¾	65	96½	61	....	780	Net income year ending Aug. 31 up 5.6%	12
2.60	1.92	1.06*je6*	0.84*je6*	52	20⅛	29½	12¾	200% 8/29	787	Financial position good; prospects favorable	13
10.15	4.46	3.13*je6*	*d*0.81*je6*	201½	88⅛	107¾	44⅛	....	797	Earnings down; dividend coverage uncertain	14
3.66	3.56	....	....	72⅝	51½	72¾	50	....	785	Good prospects; sales well sustained	15

C—Period of year ending Dec. 31, 1928 ja—Period of year ending January 31 fe—Period of year ending February 28 N. F.—No information
je—Period of year ending June 30 je 6—Period of 6 mos. ending June 30 jl 6—Period of 6 mos. ending July 31

The Biggest Chain and Still Growing

Leader in Grocery Field Progresses Despite Depression

By C. H. Wilson

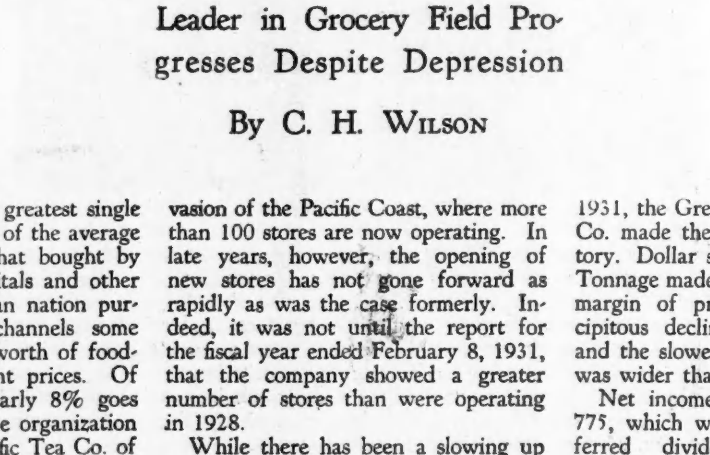
FOOD is by far the greatest single item in the budget of the average man. Omitting that bought by restaurants, hotels, hospitals and other institutions, the American nation purchases through retail channels some thirteen billion dollars' worth of foodstuffs annually at present prices. Of this tremendous sum nearly 8% goes through the hands of one organization—Great Atlantic & Pacific Tea Co. of America.

It is the world's greatest chain store system. Nearly 16,000 stores are operated stretching from one end of the country to the other. In order to feed this vast network the company maintains between seventy and eighty warehouses, dozens of bakeries, cheese plants, laundries, a printing plant, general factories, milk plants, coffee-roasting plants, salmon canneries and a fishing fleet.

Even this hardly conveys the power which is the Great Atlantic & Pacific Tea Co. of America. So great are its coffee requirements that resident purchasing agents must be kept in Brazil and Colombia. In the bread field its position is commanding. It must be reckoned with in sugar, meats, vegetables, cigarettes and many other lines. Well over five million tons of food were sold by A. & P. last year.

The business dates from 1858. Since that time persistent expansion has taken place, the most important development along these lines in recent months having been the invasion of the Pacific Coast, where more than 100 stores are now operating. In late years, however, the opening of new stores has not gone forward as rapidly as was the case formerly. Indeed, it was not until the report for the fiscal year ended February 8, 1931, that the company showed a greater number of stores than were operating in 1928.

While there has been a slowing up in the number of new stores opened, this has been largely offset by intensive expansion. Many of the stores have been enlarged and the number and variety of articles increased. These so-called combination units, of which the A. & P. operates some 4,000, are the last word in food department stores. They deal in a wide line of trademarked groceries, many of the brands belonging to the company itself. Fresh meats, vegetables, fruits, candy and bakery products are also sold.



For the year ended February 28, 1931, the Great Atlantic & Pacific Tea Co. made the best showing of its history. Dollar sales made a high record. Tonnage made a high record. And the margin of profit, reflecting the precipitous decline in commodity prices and the slower decline in retail prices, was wider than in any recent year.

Net income amounted to $30,742,775, which was equivalent, after preferred dividend requirements, to $13.86 a common share. For the two preceding years, earnings were equal to $11.78 and $11.02 a common share respectively.

The capitalization of the company consists of $26,036,200 in 7% preferred stock and 2,086,748 shares of no-par common stock. There is no funded debt and the only other capital obligation is an insignificant amount of subsidiary preferred stock. Of the common stock 1,150,000 shares are entitled to vote, while the remainder lacks this power. It is the latter class which is currently quoted on the New York Curb Exchange around $150 a share. The regular dividend rate on this issue is $6 a share annually, while an extra of 25 cents was paid on the first of last month.

So far this year A. & P.'s dollar sales have been just over 2% less than in the corresponding period of 1930. On a tonnage basis, however, sales have increased more than 12% over last year and, as commodity prices have registered even further declines,

(*Please turn to page* 807)

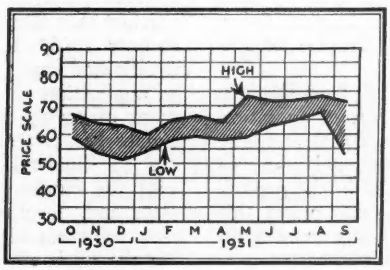
Companies That Should Profit by Fall Business

Despite difficulties in the foreign situation and continued depression in most lines of basic industry, the change of season brings with it some hope of trade stimulation in various consumption goods. Merchandising companies are approaching their period of heaviest demand and this year as in past years will benefit from the usual stimulation of holiday trade. Herewith are presented four companies whose stocks appear attractive for investment accumulation in periods of market weakness.

F. W. Woolworth Co.

Recent Price	Dividend	Yield
50	$2.40	4.8%

THE status of a national institution, patronized by all classes, has been attained by F. W. Woolworth Co. in the fifty years of its operation and through foreign penetration in recent years the red front "5-and-10" stores are fast becoming almost as well known in England and Germany. Woolworth was the originator of the "5-and-10" idea. Its success has brought it rivals as the years have passed but none has approached even near it in sales and profits. It dominates its field now as it has for years.



In the worst depression the world has ever known its head is unbowed. Its financial position is stronger than ever before. Dollar volume of sales has declined by only a small fraction from the total of 1930, which means, due to the decline in the general price level, a substantially increased volume of physical sales. Profits likewise have been maintained in gratifying manner, considering the difficulties of merchandising in these times.

For the investor special interest is lent to Woolworth both by the approach of the third quarter with its heavy sales of Christmas merchandise and by the recent general decline in the securities market, as a result of which one of the most solid of American common stocks can be purchased at the highest yield available in several years.

Considering the stable nature of the company's business and its usual financial strength, the present dividend of $2.40 appears to be generously covered by earnings. Net income for 1930 was $34,736,000, or only a bit more than 2½ per cent under the figure of 1929, despite a decline in dollar sales of 4½ per cent. Since 1930 the decline in dollar sales volume has been checked and operating economies have been extended. Through a temporary slowing of the pace of opening new stores, substantial sums have been saved. Moreover, the trend of rentals is downward; and lower prices have enabled Woolworth to expand its profit margin on many items and to add others which formerly could not profitably be sold for less than 10 cents.

For these reasons it is likely that the 1931 earnings report will be found to compare very favorably with those of the best recent years. On the 9,750,000 shares of $10 par value stock profit per share in 1930 was $3.56, as compared with $3.66 in 1929. For the first eight months of this year aggregate sales amounted to $173,065,794, against $174,107,227 in the corresponding period of last year, a decline of only 6/10 of 1 per cent.

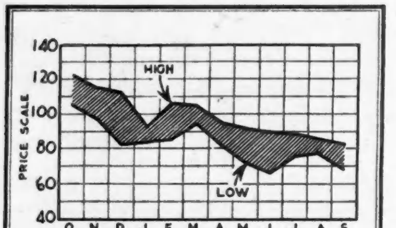
There is neither funded debt nor preferred stock outstanding. Surplus has been recently increased by about $78,000,000 as a result of recapitalization of the company's British subsidiary and now stands at approximately $150,000,000. In recapitalizing its British subsidiary, Woolworth received some $27,000,000 in cash and new ordinary shares valued, at the issue price, at $77,000,000. This places the company in a position to deal generously with shareholders and some special distribution is not unlikely at the meeting of directors early this month. Considering the company's strong financial position and its satisfactory trend of earnings, it would seem possible for it to distribute as much as $3 a share without departing from conservatism.

As for the longer term outlook, conservative expansion is being continued here and abroad and will probably open a new field in the Scandinavian countries during the next few years. At the close of last December Woolworth was operating 1,881 stores. Additions this year will probably total thirty-three stores, of which twenty-three already have been established. The year's expansion is being confined chiefly to the larger cities where large volume can be attained. Sales of the British subsidiary have been mounting rapidly. By the close of this year it will be operating approximately 475 stores. The German chain will end the year with some seventy stores. Foreign expansion is guided largely by availability of an adequate supply of low-priced goods. That is why Woolworth does not operate in France. The requisite condition is met in England and Germany and likewise offers promise in the Scandinavian countries.

R. H. Macy & Co.

Recent Price	Dividend	Yield
65	$3	4.6%

TWO months from now the early Christmas shoppers will be swarming into Macy's and a fortnight later standing room in its broad aisles will be at a premium. As with other merchandising leaders, the autumn and fall holiday season is the busiest and most profitable of the year for Macy. The approach of this season is an appropriate time to present to the investor a brief analysis of this enterprise and such an analysis is made doubly appropriate by the fact that the stock, due to the general unsettlement of the market rather than to any specific unfavorable developments, has recently been available at a price which affords a reasonable yield.



Energetic management and aggressive advertising have made Macy's one of the best known department stores in the world. It has shown a steady increase in operating efficiency, an almost uninterrupted increase in dollar volume of sales and an unusual record of profits. The New York store at Broadway and 34th Street is geared up to handle a sales volume of $150,000,000 a year as a result of recent expansion of facilities.

Few in this country are unfamiliar with the Macy slogan, "It's Smart to Be Thrifty." The appeal of low price is the keynote of the business, the store claiming to undersell competitors by at least 6 per cent. Among the larger department stores Macy's is unique in doing a strictly cash business. This policy enables it to operate with unusual efficiency and is accountable in part for a relatively satisfactory profit showing in this year of depression.

Sales of the Macy store have expanded from slightly less than $36,000,000 in 1919, the first year of operation of the present company, to almost $100,000,000 annually at the present time. The total for the last fiscal year was $99,130,598, as compared with $98,688,487 in the preceding year. Due to the the decline in commodity prices, this moderate dollar gain represents a much larger increase in physical sales.

The store's record and management are such that there is strong reason to believe that the trend of sales will continue upward. There is no reason to believe that either sales or profits have yet attained maximum possibilities or that the enterprise has attained a static position. On the contrary, there remain possibilities of dynamic growth which lend attraction to the company's shares.

In this connection it is worth noting that Macy activities are not confined to New York City. It controls L. Bamberger & Co., of Newark, which is also one of the great department stores of the country; Lasalle & Koch, of Toledo, Ohio, and the Davison-Paxton Co., of Atlanta, Ga. Extension of the Macy management to these areas suggests that gradual and conservative expansion into a larger chain of leading stores is not improbable.

Including the three affiliated stores, Macy's sales volume for the last fiscal year was $147,769,497, a decline of $2,498,210 from the preceding year. The lower figure, however, represented a gain in volume of physical sales.

Prior to the last fiscal year, Macy profits increased rapidly from 1925, mounting from approximately $3,000,000 at that time to the record high of $9,051,840 for the fiscal year ended January 31, 1930. This high level was due in part to acquisition of the Bamberger store in 1929. Profits for the fiscal year ended January 31, 1931, declined to $6,510,893 or the equivalent of $4.81 per share of common stock. This shrinkage was due less to depression than to some special and non-recurring factors, including, chiefly, the fact that Bamberger earnings declined from $1,502,821 to only $256,034. This abnormal shrinkage was due to a drastic and costly reorganization of personnel and methods in application of the Macy management after the experiment of trying six months of management on the old Bamberger methods. Even on the lower earnings basis the $3 dividend is generously covered. Enlarged earnings for Bamberger's appear certain within a reasonable time and, together with normal business recovery, suggest an eventual earning power justifying higher prices for the stock. Even on the present level of earnings, however, the dividend of $3 is covered by a relatively wide margin.

Best & Co., Inc.

Recent Price	Dividend	Yield
30	$2	6.6%

IN the retailing of apparel, with especial attention to clothing for women and children, Best & Co. has demonstrated conclusively that there is a broad market for smartness of style and quality merchandising. The company's customer appeal is neither to the lowest nor highest income brackets but to the comfortably prosperous cross-section of American buyers lying between these extremes. In successfully attracting and holding such patronage, the Best management has displayed unusual energy and ingenuity.

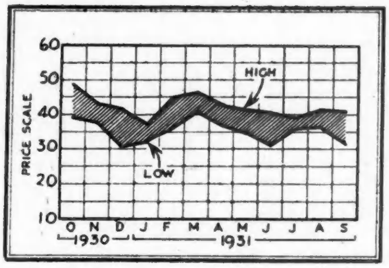
The most interesting feature of the Best policy and perhaps the factor which most merits investment consideration for the stock is the company's action in extending its facilities to its customers in their own communities. An important proportion of the customers of any quality store in New York City live in the various suburbs and naturally find a shopping trip to Manhattan somewhat onerous.

The Best management has turned this handicap to its own advantage and made a sales point of it. Branch stores are operated at Garden City, Long Island; Mamaroneck, Westchester County; and East Orange, N. J. A branch has just been opened in Boston, the fifth new store this year. Others are operated at Miami and Palm Beach, Fla.; Southampton, L. I.; Asbury Park, N. J.; Hyannis and Brookline, Mass.; and Atlantic City.

Other branch stores are planned but each location is dictated by individual opportunity, as determined through careful survey of the field, rather than by any wholesale urge for establishing an extensive chain. It is notable that throughout this expansion, which naturally involves ex-

traordinary costs, the company has not had to resort to any new financing and has been fully able to cover its dividend with a generous margin.

Best & Co. was organized in 1924 as successor to a partnership which dated back to 1879. The main store, to which three floors were added in 1928, is located in the heart of Fifth Avenue's shopping center. The company has no funded debt. Capitalization consists of 2,261 shares of 6 per cent cumulative preferred stock of $100 par value and of 300,000 shares of no par value common stock. All of the preferred stock is owned by employees and has a participating feature to the extent that while the declared rate is 6 per cent, dividends up to 8 per cent may be declared at the discretion of directors. The small size of the issue, requiring only $18,000 a year even if an 8 per cent dividend be paid, enhances the attraction of the common shares.



Since 1923 net sales have climbed steadily higher, even including 1930, and the policy of expansion points to further gains in normal years. This year there has been a slight recession in dollar volume, sales for the first six months amounting to $7,159,679, as compared with $7,418,069 in the first half of last year. The decline is accounted for by lower prices, physical volume of sales having expanded.

Earnings established a record of $1,279,261 or $4.20 per common share in the fiscal year ended January 31, 1930. For the year ended January 31, 1931, there was a modest decline, per share net amounting to $4.15. Continuing business depression this year and further decline in commodity prices have set up obstacles somewhat more difficult to deal with than in 1930, with the result that there has been a further recession in earnings. For the six months ended July 31, Best reports net equivalent to $1.73 per share, as compared with $1.99 per share in the corresponding six months of 1930.

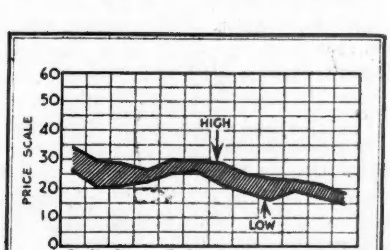
Under existing circumstances this showing must be considered favorable, since it suggests earnings of $3.50 to $4 for the year, against the dividend requirement of $2. The recent low price thus is less than ten times the apparent earnings for this year of depression.

Frank G. Shattuck Co.

Recent Price	Dividend	Yield
13	$1.50	11.5%

THE yield of 11.5 per cent offered by Shattuck at recent prices is obviously high enough to suggest that the market entertains considerable doubt as to maintenance of the $1.50 dividend. In this connection, however, it is worth pointing out that the conservative Shattuck management in paying this sum has deliberately refrained from designating it as the "regular" rate. The dividend, in fact, consists of a regular rate of $1, in addition to which extras of fifty cents a share were paid in January of each of the two last years of satisfactory profit.

It can be taken for granted that the willingness of the management to continue such extras will depend entirely upon earnings. Profits for the first half of this year amounted to $1,089,004 or eighty-four cents a share, as compared with $1,361,943 or $1.05 per share in the corresponding period of 1930. On this basis it seems likely that earnings for the full year may run in the neighborhood of $1.75 per share. Such a figure would permit payment of $1.50 but not by any such margin as the company has usually had in the past and would leave little for surplus.



Since it has avowedly established a regular rate of only $1 and since surplus earnings can be profitably used to establish new "Schrafft's" stores in the company's continuing policy of expansion, it would not be surprising if the extra next January were omitted. On the regular rate of $1, however, the stock would yield, at recent prices, approximately 7.7 per cent. Even this would be an unusually high yield for Shattuck and the $1 payment would have the advantage of a fairly generous coverage by current earnings.

Profit for 1929 was equal to $2.60 per share and declined to $1.92 per share in 1930. Earnings reported thus far this year give some indication that the rate of shrinkage is lessening, due to the application of operating economies and efficiences. The downtrend in earnings appears to be temporary, resulting solely from depression and its consequent reduction in sales of candy and in patronage of the "Schrafft's" restaurants. Adjustments have been made in the company's prices, both in candies and the restaurant menus. It is possible that some further adjustments will have to be made but with the stock selling considerably less than ten times indicated 1931 net it appears that these have been substantially discounted.

The "Schrafft's" stores have made a reputation for good food, attractively served and unquestionably possess a customer "good will" almost unique among restaurant chains. This should quickly swell patronage in a period of normal business activity and purchasing power. Approximately forty restaurants are operated, chiefly in this city. There are outlets also in Boston and Syracuse and it is not unlikely that expansion eventually will penetrate other cities. Recent attention, however, has been concentrated chiefly on restaurants of the larger type in business and shopping centers of New York City which offer large volume.

The second important division of Shattuck is the manufacture and retailing of candy. The company for years was closely associated with W. F. Schrafft & Sons Corp., of Boston, manufacturer of fine chocolates and general confectionery. Shattuck purchased this business and exclusive use of the name "Schrafft's" two years ago. Further expansion was undertaken in this field last year with purchase of Wallace & Co., an old-established candy manufacturer, and of J. C. Shriner Co., metropolitan jobbers. These acquisitions substantially round out the company's facilities and should prove an increasing source of future profit. Approaching the holidays, Shattuck's candy division faces its best season of the year.

Market Indicators

For Profit

Stocks and a Non-Gold Standard

Now that there has been an epidemic of suspensions of the gold standard throughout the world and the movement possibly may not have reached its climax, there are doubtless many American stockholders anxious as to the possible results. There will probably be a net adverse effect upon American manufacturing companies and those supplying services having branches in the countries which have suspended gold payments. As wages and other items are paid in the depreciated currency costs will go down, but inasmuch as their receipts are also in the depreciated currency their net profit will also be lower on a gold basis. In dollars then the amount received from the subsidiaries will be smaller. Among those so effected will be the Utilities Power & Light Corp. which operates quite extensively in England. International Telephone & Telegraph Co., however, probably affords a better example, for the company has received blow after blow from depreciated currencies. The same may be said of American & Foreign Power. This is not to say that the stocks of these companies should be sold at their present deflated levels. It merely explains in large measure the declines that have taken place.

On the other hand, American subsidiaries, producing raw materials in those countries whose currencies have been depreciated, will be directly benefited from the lower gold costs. Examples in this class would include a number of copper companies, oil companies and silver producers.

* * *

A Bond for Investment

The Utah Power & Light Co. is one of the subsidiaries of the Electric Power & Light Corp. with which the Electric Bond & Share Co. is closely identified. The former serves a number of communities in Utah, Idaho, Colorado and Wyoming with electric current. The population of the territory served aggregates somewhat less than 500,000 persons. Among the fixed obligations of the Utah Power & Light Co. are the 1st 5s due in 1944. These bonds, of which there are outstanding about $32,000,000 of an authorized issue of $100,000,000, are secured by a first mortgage on the entire property of the company situated in Utah and Idaho. Additional security is obtained through the pledge of all the stocks and bonds of the Western Colorado Power Co. The 1st 5s underlie $10,500,000 in other bonds. Gross income over the last five years has shown a tendency to increase although there was a slight set back in 1930. Nevertheless, even in that year interest requirements were covered some 2¼ times on an overall basis. The 1st 5s are redeemable at 105, so that there would appear to be ample scope for appreciation. Their present price is around 97½, affording a yield of about 5¼% to maturity.

* * *

Bank-stock Holders' Double Liability

There is a Federal law to the effect that owners of bank stock shall be liable to assessment up to the par value of their holdings in the case of the failure of the bank with loss to depositors. There are dozens of state laws which say the same thing. And yet these laws, like hundreds of others on our statute books mean little or nothing. This is illustrated by the Bank of United States. In this case there has been talk of assessing the deceased bank's stockholders, but even the most optimistic predictions do not prophesy the recovery of more than 50% of the theoretical total. Why? Because it is too costly a business to sue hundreds of individual stockholders and even should the suits be won it is still a far cry from actually collecting the money. Ineffective laws such as these should be repealed. If the depositor must be protected then pass another law and make it stick. As the matter now stands, small legitimate investors are frightened to buy bank stocks because of possible assessments, while the big man merely organizes a company to hold such issues and is careful to see that it has no other assets.

* * *

Cellophane Steadily Widens Field

It is reported that a third division of the tobacco industry is to become a customer for cellophane. It was first used for wrapping cigars, then cigarettes and now it is to be used for packing smoking tobaccos. The manner in which cellophane has expanded its list of customers has been truly remarkable and it seems a pity that direct participation in such progress cannot be made. The duPont stockholder, of course, benefits but the full benefits of the new line are only indirectly enjoyed, for his company's interests are so wide that cellophane is but a side line. Nevertheless, it is these profitable side lines which tend to offset depressed conditions in the main business and clearly demonstrate the value of diversified interests.

* * *

Short Selling

The life of the short seller is a hard one. True, at times he does manage to make a little money but when this happens the public looks upon him as it would a bank robber. And yet what would have been the state of our security markets on the Monday and Tuesday following England's suspension of the gold standard if it had not been for the much maligned "short"? The market was sold out and the Stock Exchange by merely ruling against further short selling was enabled to conjure up a tremendous cushion of potential buying to offset panic long selling.

The Stockholder

and Income

It acted like a charm. By no stretch of the imagination could the market in those days be called more than highly nervous. It was not demoralized as might easily have been the case. And credit must be given to the shorts. This role of public benefactor, however, is an expensive one. No sympathy is ever wasted on the player, for he is only fulfilling his destined end. This is to permit himself to be "run in" in order that prices may be moved higher. The large number of amateur shorts which have come into being during the last two years would do well to leave such a hazardous occupation to the out-and-out professional.

* * *

A Good Bet

The railroad stocks have been sold to a standstill over the past two years. True, traffic has declined alarmingly and earnings in many cases are almost non-existent. But the country cannot afford to allow its transportation system go to the dogs entirely and we are rapidly approaching the point where remedial measures will be taken. So far as one can see some rate increase in the very near future is assured. It is also possible that the Railroad Brotherhoods will submit to a wage reduction now that the big industrials have led the way. This would appear to make the rails particularly interesting speculative short term commitments on the long side. It is suggested that such stocks as New York Central, Baltimore & Ohio and even some of the smaller rails be bought on any substantial weakness and a stop-loss order placed a few points under the purchase price, which should be raised gradually in the event of sustained strength. There may of course be flurries resulting in one being stopped out at a loss but this will only be small and the probabilities are not in favor of it. Furthermore, if the short interest in the rails is as large as one is led to believe there could quite easily be a repetition of the squeeze which took place in Reading the other day.

* * *

Pegged Prices

There must surely by now be a marked disposition on the part of the general public to look askance at all price pegging schemes, for the last citadel has fallen. Sterling exchange the one thing which had been successfully pegged for any length of time has gone to that valhalla of Brazilian coffee, British rubber and American wheat. Many of our domestic securities will also be found there. It is frequently said that this or that stock is pegged. And yet, a few days later, or a few weeks later, something seems to happen to the peg. There is a loud bang in the form of 20,000 shares or so at the pegged price and the unfortunate stockholder next realizes that there is no bid for his investment. Or, if there is a bid that it is so much below the previous price as to appear almost ridiculous. It has happened hundreds of times with disastrous consequences, and will doubtless happen again. The only safeguard is to be skeptical of pegged prices. Insist that investments stand upon their own feet in an open market, so that if all be not well with the company there is at least reasonable warning.

* * *

A Gold Stock

Gold is an illusive metal. It is found here, there and everywhere, but usually in quantities so small as to be economically unimportant. Or, in the case of a rich strike, it is apt to peter out with disappointing suddenness. Few companies fulfill their original promises. There are, however, a small minority whose record challenges the best of our industrial giants. Among these is the Homestake Mining Co. which operates some 4,000 acres of land in the Black Hills of South Dakota. It also owns valuable water rights and timber lands in addition to a coal mine.

Dividends on the common stock have been paid in every year since 1903 with but one exception. The present rate is $6 annually while $2 in extras have been paid so far this year. The company's financial position is impressive. As of December 31, 1930, current assets totaled $7,155,615, made up almost entirely of cash, government and municipal securities, and bullion. Current liabilities amounted to $533,801. The sole capitalization of the company consists of 251,160 shares of common stock of $100 par value. There is no funded debt nor notes outstanding.

While part of the dividend from a company of this sort must be considered theoretically as return of capital, Homestake has ore in sight for at least twenty years. Indeed, the company has been adding to its visible reserves faster than the ore is being taken out. With this assurance of longevity the stock around current prices of $94 a share must be considered as having definite speculative possibilities.

* * *

A High Yield "A" Stock

Among the less active issues on the New York Stock Exchange are to be found the preferred stocks of The West Penn Electric Co. At present prices they all appear undeniably attractive in their respective fields, although it is with the Class "A" that we are here primarily concerned. This stock recently sold as low as $87 a share at which price it affords a yield of about 8% on the $7 dividend. The company is the principal subsidiary of American Water Works & Electric Co., Inc., and controls the electric light and power business throughout a large area in Maryland, West Virginia and Pennsylvania, a territory having a population of some 2,500,000 persons. Its capitalization consists of

(Please turn to page 814)

READERS' FORUM

Personal Investment Talk No. 12

The Current Market and Business Conditions Which Guide Sound Investment

Explaining Some Factors Which Should Spell Profit to Wise Investors When Depression Ends

By John Durand

IT is easier to make money than to save it, and easier to save money than to invest it successfully. Most people have money at some time in their lives; but few keep it. It is soon dissipated by spending, or lost through ill-chosen investments. But we will not talk here about budgeting and saving. It is taken for granted that the reader has money, even in these hard times, which he wishes to invest in the best manner possible.

The ideal investment brings safety, income, and profit. Sometimes income may be sacrificed to profit, or profit may be subordinated to income; but the present depression has made it painfully clear that safety of principal must always remain the prime requirement. In seeking safety for one's funds it is well to remember, however, that mere safety without income or profit is not investing, but hoarding. During the present depression, many people have withdrawn their money from the banks and hidden it away timidly in the family stocking or safe deposit box. Thanks to the extremely liquid condition of our banking system, and the great flexibility of the currency under the Federal Reserve laws, this has placed no appreciable financial strain upon the banks; but it is a foolishly wasteful use for the individual to make of his funds, and has probably served to retard the recovery in business. There are plenty of short term securities in which one can put his money as safely as in a safe deposit box and with much less hazard of theft or loss than when it is sequestered at home. Money so invested not only earns interest for the holder; but is kept in circulation to the benefit of business in general.

When Opportunity Knocks

A major depression such as that through which we are now passing offers, particularly in its latter phases, an opportunity for the discriminating investor to acquire securities at bargain prices, and a person who hoards money now instead of grasping this golden opportunity will surely make the opposite mistake of buying stocks at the crest of the next boom. As an investor, such a person is destined to lose money; for he follows the crowd, and the crowd is always wrong in its market outlook and psychology.

We have just said that there are many short term securities in which one might invest now in preference to hoarding, but the suggestion was meant only for people who are in a hoarding frame of mind. For more experienced and far-sighted investors we believe it will prove far more profitable, and practically as safe in the final phase of depression to accumulate gradually a carefully chosen, and well diversified, list of sound common and preferred stocks.

At the very outset of any scientifically planned investment program one should accord first consideration to the practical fact that all stocks and bonds fluctuate in market price—some widely, others over a narrower range. Even the fixed income bearing securities—bonds and preferred stocks—regardless of rating, offer no exception to this universal law. Generally speaking, we find that common stocks cover a wider price range than preferred stocks, while preferred stocks fluctuate more than bonds. If investments are held for life, or until maturity, considerations of price movement become wholly subservient to the question of income yield; but few, except financial institutions and trustees, invest that way any more. The majority of people switch from time to time from one security into another, and this makes it necessary to bring prices fluctuations into the reckoning.

Importance of Price Fluctuations

Suppose, for example, that you purchase a 6% bond at par, and sell it a year later for 97. Here your 6% income is reduced to only 3% by a 3% loss on the investment. With common stocks, the amplitude of price swing is frequently so large that profit or loss on an investment may completely overshadow the relatively small cash income. Thus it appears that an understanding of price movements is the first requisite to successful investing. It is essential to know when to buy and when to sell; for all securities, whether stocks or bonds, tend to move in the same direction—especially where the larger price swings are concerned. Next in importance comes the

The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET *and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter. Stores of personal experience with, or personal opinion upon, investment problems are particularly, appropriate since they often are of interest to many. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.*

proper selection of individual securities; for, in advancing markets, some issues move faster and higher than others.

Owing to their wide amplitude of price range, common stocks offer the greatest opportunity for profit in rising markets, and so may be regarded as the most desirable investment media for individuals who are able to forecast price movements. During periods of falling prices for stocks and bonds, however, short term bonds and notes are best suited to the requirements of investors; because their price is stabilized by the circumstance that they must soon be redeemed at par. In bear markets, the only alternatives to investing in short term securities would be to take a short position in common stocks, which is hazardous for anyone but an experienced trader, or else deposit one's funds in the savings bank. But these are precautions which should have been taken near the crest of the 1929 bull market. They are wholly out of place now that the bear market appears to be drawing to a close. Present conditions point to the advisability of liquidating short term investments from time to time in preparation for purchasing well-selected common stocks.

Wo do not mean to imply by this that all of one's funds should be put into common stocks. This would be the correct procedure if a person were always right on the market; but even the most expert of investors make mistakes. Sometimes such errors of judgment prove very costly, and so it is always prudent to carry a good sized backlog of high grade bonds and preferred stocks to draw upon in the event that all should not go as expected in the common stock section of the portfolio. If you are right on the main trend of the market, your bonds and preferred stocks will also advance in price, though more slowly than the common stocks. But if you have misjudged the market trend, the fixed income bearing securities will yield a steady income while you are waiting for prices to recover.

Ushering In a New Order

The method of operating in common stocks will depend much upon how long you plan to hold an investment. Practice varies widely in this respect among different individuals. Very few people consider it advisable in these days of rapid change to hold common stocks from one major business cycle to another. Companies which prospered most during the years, 1921 to 1929, may not do so well in the new period of prosperity that lies ahead of us. Major business depressions such as those which were experienced in 1921 and 1930 frequently mark the end of one set of economic conditions and usher in a new order; so that it is always the most prudent course to liquidate all common stock holdings at the crest of such a boom as we had in 1929, and wait for indications of the new opportunities that are sure to appear when the depression is over. Such a procedure enjoys the additional advantage of saving the investor from huge losses that would otherwise be sustained by holding stocks through the major bear market that invariably follows a stock market boom, and enables him to accumulate a new lot of stocks at bargain levels. People who follow this practice are known as "Major cycle investors."

But the major business and market cycle is usually composed of two or three minor investment cycles, such as took place between 1921 and 1924, 1924 and 1927, and 1927 and 1930; for history teaches that the average business cycle (if these minor business recessions be included) lasts only three or four years. If a person is able to predict such intermediate business cycles correctly, it will pay him to adjust his buying and selling of common stocks accordingly. These are the "Intermediate business cycle investors."

Then again the intermediate market cycle is punctuated by a number of short term cycles which may be caused by seasonal, financial, political, manipulative, or other influences. People who time their purchases and sales according to these intermediate minor cycles are "Short cycle investors."

No stress will be laid here upon in-and-out trading with the short speculative cycles which last for only a few days or weeks; for this involves pure speculation in price fluctuations, which is not very closely related to the subject of investment with which we are here chiefly concerned.

Forecasting the Cycles

From the foregoing brief outline of the series of waves of varying duration in which market prices progress, it will be seen that the successful investor must first decide which type of cycle he is going to follow and then learn to predict them as closely as possible. This involves the art of market forecasting in all its intricacies. There is little space here to discuss methods of forecasting market movements, which are taken up elsewhere in these articles. In a general way, however, it may be said that the minor business cycles are caused by fluctuations in business activity which can be studied by analyzing the mass of statistics that is published for the various industries. Major business depressions and major bear markets, however, are almost always precipitated by credit stringency arising from speculative excesses. The minor price cycles may be forecasted with fair success by skillful interpretation of news developments and studies of the market's technical condition.

Having decided that it is time to buy, the next problem is one of selection. This necessitates a study of the outlook for separate industries, and then the choice of the most promising company within those industries which enjoy the most favorable prospects.

There are two distinct principles which may serve as guides in the selection of individual stocks. The first, and

(Please turn to page 803)

Selectivity Versus Timing as a Guide to Investment

Considering the Prudent Investor's Problem of When As Well As What to Buy

Editor, Readers' Forum:

Anyone who has ever sought advice on the general subject of investment must have been impressed, as I have been, by the emphasis usually placed upon the necessity for wise discrimination. Yet it is an obvious fact that very few stocks went down during the late bull market. The great majority could have been bought blindly for some degree of profit. Conversely, discrimination hasn't done the investor much good during the present bear market. Do you not think that too much credence has been placed in the theory of the attractiveness of common stocks for long term investment? Even if one is wise enough to select stocks which will be favorably situated a decade from now, would it not be better to pay less attention to the question of what to buy and far more to that of when to buy?

Very truly yours, E. H.

The answer to this question is that the prudent investor must pay the greatest possible heed as to both what and when to buy. There is no practical point in attempting to determine whether discrimination is more important than timing for both are obviously so vital that the ideal investment program must have joint regard for them. It can now be plainly seen that there was little wisdom in making long term investments even in the finest stocks during the 1929 boom. In some instances many years probably will be required for earnings and dividend yields to justify the peak prices of 1929. Even when that point is reached, the investor meanwhile could probably have obtained a considerably larger yield, as well as reasonable stability of his capital, by placing his funds in sound bonds. On the other hand, it is well to bear in mind that few persons really understand the actual meaning of the term long-pull investment. If a stock is held for a year most of us are inclined to consider that long-term investment when, of course, it is nothing of the kind. A stock becomes intrinsically more valuable when a company consistently earns more than it pays in dividends and year after year uses surplus profits to increase assets and earning power. Such solid results usually have to be measured in years, rather than months. Accordingly, one who is actually buying for the long term undoubtedly would be well advised to put discrimination first, for bear markets come and go and the strong companies march on to new periods of prosperity. There is no reason, however, why the investor, after making careful selection, should not use discretion in timing his purchases. A good stock is always preferable to a doubtful one and doubly so in such a period of uncertainty as now exists.

Honest Execution of Orders

Editor, Readers' Forum:

When I give my broker an order to buy a given stock at the market I seem to have an almost uncanny facility for hitting the highest price of the day and if I am selling I am never surprised if I get the lowest quotation of the day. This happens with such regularity that I am sometimes forced to wonder whether it can be entirely the result of coincidence. In such matters one does not like to be unduly or unjustly suspicious. On the other hand one even more dislikes being "gypped." What protection has the customer in getting the best possible execution of his order?

Sincerely yours, L. O. R.

One of the most common complaints of the speculator is that his market orders are executed high on the buying side and low on the selling side, yet in the great majority of cases the blame rests with him and not with the broker. It is human nature for most persons to feel the buying itch only when prices are rising and to make up their minds to sell only when the trend is down. Most traders who attempt to catch a rally for a quick turn do not make up their minds until the rally appears. Often this results in buying not for a rally but buying near the top of a rally. It is human nature also to exaggerate bad luck and take good luck for granted. It is easy to forget those occasions when a purchase or sale happened to be favorably timed and easy to remember opposite conditions. The order which the commission house receives is carefully timed when it is flashed to the floor of the Stock Exchange for execution. The return notice of execution also is timed. The identity of the two brokers who figure in the transaction on the floor is a matter of record. In practice dishonesty can be very readily detected and the risk of expulsion more than offsets the possibility of dishonest gain for the broker. The Stock Exchange receives numerous complaints of this kind and more than a dozen skilled employees are constantly engaged in investigating them. A justified complaint is about as rare as hens' teeth.

Corporate Funds on Call

Editor, Readers' Forum:

During the bull market days many warnings were sounded as to the dangers involved in the practice of many corporations in employing surplus funds in the call market. I note that the low interest rates which have been brought by the depression have driven virtually all such funds out of the call market and that the banks once more are the chief call money lenders. I don't see that this is any proof that the corporations were wrong in taking advantage of call rates of 10% or more when they were available. What harm was done? The companies supplying the needs of the call market did not lose any money. I doubt if their willingness to supply funds had much to do with aggravating the boom and thus contributing to the depression.

Yours truly, G. F.

Experience has proven that no form of credit is safer for the lender than a call loan. In the great majority of cases the distinction between a call loan made by a bank for its own account and that made for account "of others" is merely one of bookkeeping. If a company has surplus money in its bank the bank pays a modest interest rate for its use and uses it in one of various ordinary banking practices, including placing it on call. If the company directs that a specified amount be placed on call for its own account, the bank handles the transaction and assumes responsibility in return for a small service charge. It checks the collateral which the borrower, through his broker, deposits and watches market

fluctuations. When call rates were abnormally high many companies swelled their earnings by lending money. Confronted with the academic question of whether this is sound corporate practice or something that might better be left entirely to the discretion of the banks, most executives quite naturally decided that the thing to do was to make the greatest possible profits for their stockholders. Some of the outstanding companies, however, including United States Steel and General Electric, both with huge cash surpluses, persistently refrained from entering the call market. There was never any question as to the safety of the practice but there is a question as to whether such "outside" lenders or the banks are the best judges of the amount of credit which should be supplied to the stock market. The practice did tend to lessen the degree of credit control which the banks ordinarily possess. Whether they would have been wise enough to apply the brakes sooner, had they had their normal measure of credit control, is subject only to conjecture. There is some reason to believe, however, that under such circumstances the life of the boom would have been shorter.

Productive Financing

Editor, Readers' Forum:

I note that many of the business analysts speak of the necessity of developing a strong bond market as a foundation for industrial revival, the inference being, I assume, that the process of revival depends upon new financing, the proceeds of which go into productive expansion. Are we not already suffering from over-expansion in many industries? It is difficult for me to believe that the way out is to create more corporate debt, which is what is done by bond financing. The stock financing so prevalent in 1928 and 1929 may have been unfortunate for those who absorbed the new issues but from the point of view of the corporations was it not preferable to the present tendency toward increased bonded debt?

Very truly yours, E. S. D.

Generalization upon this subject is valueless. Some industries, such as steel, automobiles and petroleum, appear to be sufficiently expanded to take care of probable demand for some years ahead. Others, however, including the railroads and public utilities, are in a position to benefit from new capital, either for future expansion or, particularly in the case of the rails, to improve existing facilities. Because of lack of current earning power, however, rail financing is difficult. The bulk of the current corporate bond financing consists of utility issues, many companies taking advantage of low interest rates to provide capital needs for several years ahead. In some respects stock financing is preferable to bonds, since a bond issue imposes a fixed charge on earnings and usually constitutes a mortgage upon the corporation's property and assets. A company needing financing, however, is forced to be guided by market conditions. The essential evil of the boom financing of 1928 and 1929 was that much of it was either unproductive or ill-advised. The hundreds of millions that went into investment trust securities, for example, served no useful industrial purpose. The ease with which second rate companies obtained stock financing also contributed to over-expansion. It is estimated that during the first quarter of 1929 only 23.2% of the new financing was for productive purposes such as are related to the output of goods and commodities. On the other hand, during the first quarter of this year the total of productive financing was $843,000,000 or 77.6% of all new financing.

Reversing Stock Splits

Editor, Readers' Forum:

I have some stocks which I have owned for years, including one very well known automobile issue that is now selling under $10 a share. Like many others holding stocks during the prosperous years after 1924, I participated in various split-ups and stock dividends. Each such development seemed advantageous, although I was well aware that I simply had more pieces of paper representing the same proportion of ownership of corporate assets and earnings. Now I am led to wonder whether the wholesale multiplication of shares is of value to anyone. It certainly does not seem to have any influence in holding up market values. Would it not be advisable for many companies to reduce the number of their shares?

Sincerely yours, T. G. M.

More than 200 stocks listed upon the New York Stock Exchange have recently been selling at prices under $10 a share. In the majority of cases this is simply due to an intrinsic decline of values reflecting greatly lessened earning power and in many cases such quotations no doubt are temporary. In not a few instances, however, it is the stock split-up of bull years that makes a $10 price possible. The chief drawback is that most banks will not lend money upon a stock quoted under $10, with the result that a decline under this level tends automatically to increase the pressure of liquidation. Unless market recovery is rapid, it is likely that many companies will move to reverse the former policy by issuing one new share for two, three or four of the present shares. In this way the collateral value can be restored. Changes of this kind were fairly numerous after the depression of 1920-21 and would now seem to be equally advantageous.

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Business Adjusting Itself to New Fundamentals

AUTOMOBILES

Seasonal Upturn Lacking

THE trade had expected August production of motor vehicles to make a poor showing in comparison with the previous month. When the figures were released it was found that the decline had amounted to 15%. Although September is characteristically a month of seasonal upturn, the present September is likely to prove an exception with a production about equal to that of August. This is caused by many large manufacturers curtailing operations in order to bring out new models for the various shows. Inventory taking has also tended to slow up activity but this of course is only a transitory factor. No great improvement over September can be expected during the following quar-

(*Please turn to page* 810)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1931 High	1931 Low	Last*
Steel (1)	$0.01¾	$0.01⅝	$0.01⅝
Steel (2)	0.01¾	0.01⅝	0.01⅝
Pig Iron (3)......	17.00	15.50	15.75
Copper (4)	0.[illegible]0⅛	0.07	0.07
Lead (5)	0.05⅛	0.03¾	0.04⅝
Petroleum (6) ..	0.81	0.14	0.54
Coal (7)	1.60	1.40	1.45
Cotton (8)	0.11	0.06	0.06
Wheat (9)	0.79	0.39	0.54
Corn (10)	0.68½	0.39⅛	0.41
Hogs (11)	25.00	13.00	16.50
Steers (12)	17.00	11.00	15.00
Coffee (13)	0 [illegible]	0.07½	0.07⅝
Rubber (14)	0.08⅝	0.04¾	0.04¾
Wool (15)	0.72	0.60	0.61½
Sugar (16)	0.03½	0.03⅛	0.03⅝
Paper (17)	62.00	57.00	57.00
Lumber (18) ...	17.67	14.00	14.00

* Sept. 28, 1931.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, $ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.9 deg. $ per bbl. (7) Pitts., steam mine run, $ per ton. (8) Middling (Galv.) cents per lb. (9) No. 2, Hard, Winter (Kan. City) $ per bu. (10) No. 3 Yellow (Chic.). $ per bu. (11) Fresh loins, 10-12 lb. (N. Y.) $ per 100 lb. (12) 550-700 lb. (N. Y.) $ per lb. (13) Santos, No. 4 (N. Y.) c. per lb. (14) Smoked Sheets (N. Y.) cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), $ per ton. (18) Yellow pine boards, f. o. .b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—The leading steel producers have announced a general wage reduction of about 10% to become effective October 1. This action will tend to remove the possibility of deficit operations, of which there undoubtedly would have been many examples had things been left as they were. Steel ingot production has declined to 29% of capacity compared with 30% last week. Demand for public construction is holding up well but the needs of other consumers are declining.

PETROLEUM—A steady production increase has been the feature of petroleum during the past two weeks. Texas authorities have reduced the maximum permissible flow per well from 225 barrels daily to 185 but this action is negated because no further restriction has been imposed upon the drilling of new wells. Oklahoma production is stabilized, and no particular trend upwards or downwards is displayed by the other producing fields. Texas therefore is the key to the situation.

COPPER—Recent copper markets were dull and prices receded further with domestic copper selling at 7 cents a pound. For foreign delivery 7½ cents was quoted. Because of the suspension of British gold payments it is felt by the trade that European buyers would rather buy copper than sterling, which accounts for the higher than usual export differential. Producers, however, are not anxious to sell and the market remains in the hands of the custom smelters who are selling only small lots at present prices.

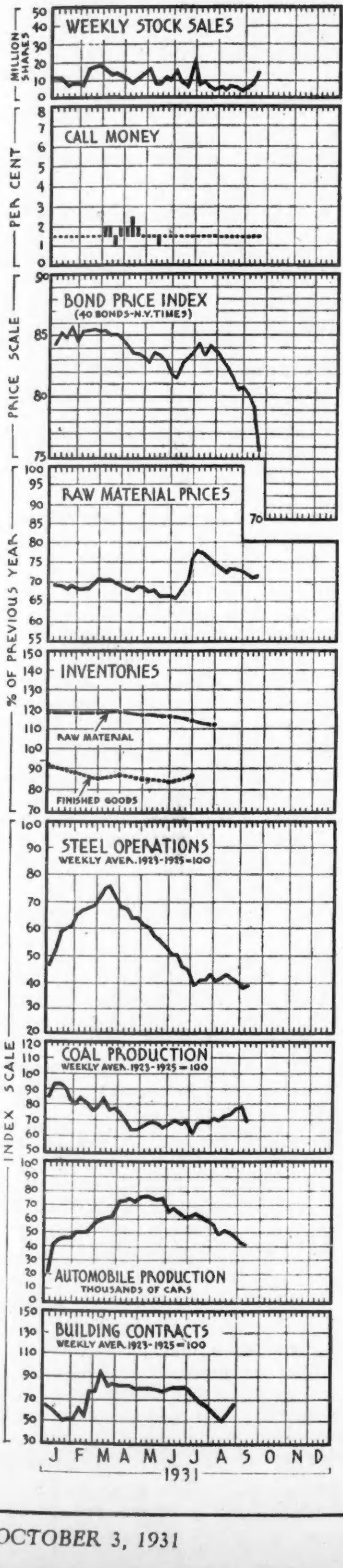
COAL—Unusually warm weather during the past week has resulted in heavy cancellations of anthracite shipments, although there has been no decrease in production. Prices are holding firm at $8 per ton for stove grade at the mines. The bituminous situation has been severely handicapped by the lack of a normal seasonal upturn in most industries, especially in steel and automobiles. Suspension of gold payments by Great Britain will tend to reduce English coal production costs with the result that British competition may displace American coal in some export markets.

PAPER—United States newsprint production is at a rate of about 60% of capacity with no signs of any material increase. Prices have been stabilized at $57 per ton for news rolls at New York. Stocks of newsprint have tended to rise slightly in both Canada and the United States and the situation appears to warrant the expectation that profits will be small, if not entirely lacking during the near future. Prices of other grades of paper are firm but the industry has over-expanded facilities for production, and it is felt that some downward revision in the price structure may occur.

CEMENT—During the early part of this year surplus stocks of cement were at record levels. Over the past four months, however, production has been reduced very materially so that present stocks are about the same as a year ago. As the industry is now operating at a rate considerably below total plant capacity and even drastic price reductions have failed to increase the demand, it is hit by the worst possible combination—smaller volume at lower prices. No material change for the better can reasonably be expected during the near future.

The Magazine of Wall Street's Indicators

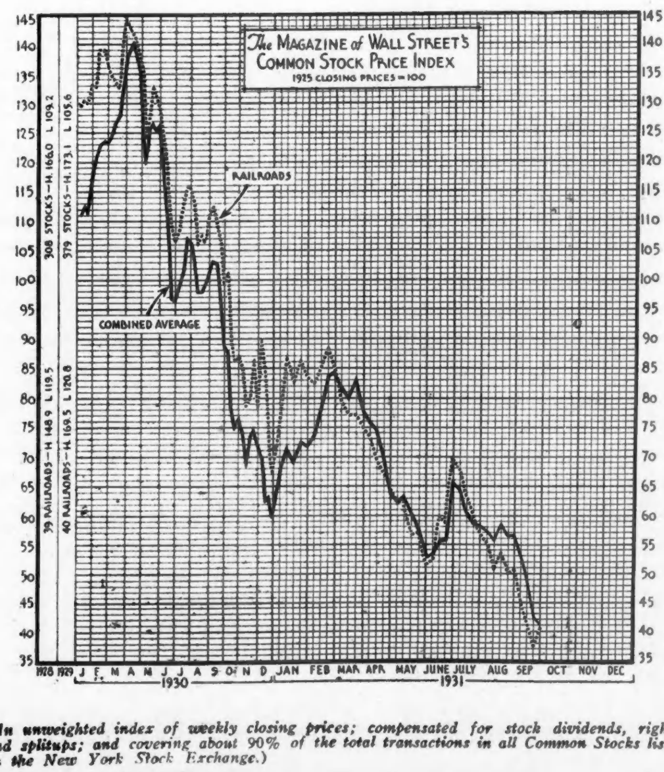
Business Indexes



Common Stock Price Index

1930 Indexes Close	High	Low	Number of Issues	Group	1931 Indexes High	Low	Sept. 19	Sept. 26
62.2	140.7	59.9	405	COMBINED AVERAGE	84.4	41.0	42.1	41.0*
112.0	405.5	105.7	5	Agricultural Implements	142.4	38.9	38.9*	41.6
88.5	272.0	85.6	8	Amusement	121.2	47.0	52.9	47.0*
47.8	118.1	46.2	22	Automobile Accessories	76.9	32.8	33.6	32.8*
25.5	78.4	24.5	20	Automobiles	37.0	13.9	14.7	13.9*
39.9	153.1	35.4	4	Aviation (1927 Cl.—100)	74.2	35.8	36.7	35.8†
23.8	74.2	23.8	3	Baking (1926 Cl.—100)	38.4	13.0	14.1	13.0*
185.5	248.1	179.6	2	Biscuit	212.8	136.1	139.2	136.1*
128.6	262.7	123.5	5	Business Machines	162.2	84.3	86.5	84.3*
157.0	226.0	151.8	2	Cans	188.5	119.4	126.3	119.4*
126.0	248.5	124.3	8	Chemicals & Dyes	157.8	91.2	92.2	91.2*
35.4	107.9	34.4	3	Coal	71.8	29.0	30.5	29.0*
48.8	121.8	46.2	22	Construction & Bldg. Mat....	73.7	28.1	28.8	28.1*
70.4	211.7	67.0	12	Copper	92.4	39.2	39.2*	40.9
83.0	125.1	80.7	2	Dairy Products	98.0	52.8	55.5	52.8*
21.5	51.6	20.4	9	Department Stores	30.2	16.2	16.6	16.2*
83.0	142.0	79.4	8	Drugs & Toilet Articles	120.4	62.5	68.5	62.5*
115.8	239.1	114.9	8	Electric Apparatus	149.3	65.7	65.7*	66.2
14.8	54.4	13.7	4	Fertilizers	21.5	6.9	7.0	6.9*
77.6	148.4	68.5	2	Finance Companies	91.3	48.1	52.2	48.1*
64.4	93.5	62.1	7	Food Brands	80.1	52.8	55.3	52.8*
50.3	124.6	50.0	4	Food Stores	83.0	50.3	59.1	54.6
31.6	119.2	30.1	4	Furniture & Floor Covering...	51.7	31.6	33.4	33.0
29.9	92.5	28.6	7	Household Equipment	[illegible]	[illegible]	23.9	21.1*
52.3	170.0	51.5	10	Investment Trusts	89.5	30.9	33.9	30.9*
52.4	142.5	50.9	3	Mail Order	96.3	50.2	52.9	50.2*
61.0	184.9	58.9	39	Petroleum & Natural Gas.....	69.2	33.5	34.8	33.5*
37.2	175.2	36.8	8	Phono. & Radio (1927—100)..	68.8	24.7	26.0	24.7*
150.4	305.0	141.1	20	Public Utilities	196.8	102.8	110.5	102.8*
57.8	115.4	55.5	10	Railroad Equipment	73.1	31.8	31.8*	33.0
69.8	144.5	67.1	33	Railroads	[illegible]	37.1	37.1*	40.7
81.9	153.1	78.9	3	Restaurants	100.7	56.4	60.1	56.4*
28.9	88.8	28.9	5	Shipping	38.0	12.6	12.8	12.6*
160.4	246.5	150.8	2	Soft Drinks (1926—100)	183.4	108.2	123.2	108.2*
63.5	146.5	61.4	13	Steel & Iron.................	92.3	38.5	40.2	38.5*
12.9	45.1	12.2	6	Sugar	18.9	9.8	9.9	9.8*
170.3	268.7	163.0	2	Sulphur	218.0	101.1	103.3	101.1*
97.4	177.2	92.6	3	Telephone & Telegraph	132.4	78.0	78.2	78.0*
23.7	70.5	21.1	6	Textiles	46.0	20.7	20.7*	22.3
10.9	39.0	10.9	7	Tires & Rubber	15.8	6.4	6.9	6.4*
59.3	107.2	57.5	9	Tobacco	78.6	53.7	56.7	53.7*
67.2	103.5	63.2	5	Traction	86.1	40.4	41.9	40.4*
68.5	88.7	66.5	2	Variety Stores	82.0	66.9	67.2	66.9†

* New low record since 1926. † New low record this year.



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

Our Personal Service Department is prepared to offer advice on any security in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Be brief.
2. Confine your inquiries to *three securities only.*
3. Write name and address plainly.

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CHILDS CO.

What is your opinion of the outlook for Childs Co.? In spite of better sales their stock remains close to the bottom for the year. I have 250 shares at an average cost of 25. What do you advise?—M. M. R., Durham, N. C.

The Childs Co. and subsidiaries, reported for the first six months of 1931, net income of $612,653, equivalent, after dividend requirements on the 7% preferred stock, to $1.20 a share on 362,384 no par common shares outstanding. This compares with $668,329 or $1.36 a share for the first half of 1930. Although the profits for the latest period show a favorable comparison with those of a year earlier, it should be noted that earnings for the initial half of 1931 include nonrecurring income, resulting from the sale of its property at 1551 Broadway at a profit estimated between $325,000 and $350,000. Sales for the eight months ended August 31 last, declined 11.3% from those of the corresponding period of 1930; but a study of recent monthly reports reveals that an upward trend has been in evidence since the beginning of July. The recent improvement in sales is in reflection of the increased popularity of the company's "Guest Meals" which are now being served in all of its restaurants with a policy which states: "Dine as a guest—eat all you wish, whatever you wish, at one moderate price, for breakfast, luncheon and dinner." An accurate forecast of profits for the second half of 1931 cannot be made at this time, since there is no way of determining profits per dollar of sales under the new system. However, current prices for the company's shares pretty well discount existing conditions, and while we anticipate little in the way of substantial price appreciation during the early future, we are inclined to counsel further retention of present holdings, with a view toward long term developments.

INTERNATIONAL BUSINESS MACHINES CORP.

I have been well pleased with the market action of International Business Machines during the recent market break. It would appear to me that this company is in a most favorable position to benefit during the coming months. Would you advise moderate new commitments?—A. J. G., Reading, Pa.

International Business Machines Corp. reported consolidated net income for the six months ended June 30, 1931, of $3,778,492, equivalent to $5.64 a common share as compared with $3,654,310 or $5.73 a share on a slightly smaller capitalization in the first half of 1930. When consideration is given to the general run of earnings statements that have been published thus far in 1931 and the present period of adversities, the accomplishments of International Business Machines certainly should be regarded as exceptional. It is interesting to note that the governing factor in the stability of earning power of this company lies in the policy of renting, rather than selling, a large portion of its accounting and tabulating equipment. Moreover, the fact that important operating economies are effected where its machines are installed, accounts for the ever increasing sales volume of the company. New products are continually being added to the company's line, which factor, coupled with the aggressive management, bids well for the future. Although the company's products are marketed in 77 foreign countries and while factories are maintained in Canada, Germany and France, by far the greater part of its income is derived from domestic business. Present indications are that earnings during the final half of the current year will continue the upward trend in evidence during the past decade. In our opinion, the company's shares at current prices are reasonably priced in relation to probable 1931 earnings and future prospects, and we believe that moderate commitments during recessions are justified for inclusion in the average business man's portfolio.

BENDIX AVIATION CORP.

I am very much impressed with the outlook for Bendix Aviation Corp. and believe that with any upturn in the general business outlook that this company should be among the first to benefit. Would you favor moderate commitments for the long pull?—R. A. D., Flint, Mich.

Bendix Aviation Corp., reported net income for the initial half of 1931, (including $221,000 non-recurring profit) of $1,512,345, equivalent to 72 cents a share on 2,097,663 no par common shares. In view of the sharply curtailed activity in the automotive industry during this period, the above results should not be regarded as entirely

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unfavorable in comparison with those of $1,530,937 or 73 cents a share reported for the same period in 1930. Inasmuch as substantially the greater part of the company's revenues are derived from the automotive industry, its title is somewhat misleading. Organized in 1929 as a consolidation of several enterprises engaged in the manufacture and distribution of aviation and automobile accessories and parts; the company has made substantial progress, and now ranks as the largest single factor in its field. Probably best known among the company's products are the world famous "Bendix Drive," "Bendix Brakes" and "Stromberg Carburetor." In addition, a great variety of aviation and marine navigation instruments are produced, as well as a number of automobile and aircraft accessories, certain textile machines and a number of other devices. Recently the company introduced the new vacuum clutch control (free wheeling device), which should be received favorably by the car manufacturers, because of its many advantages. While it is extremely difficult to accurately forecast results for the final half of the year, full 1931 earnings should easily cover current annual distributions of the $1 a share on the common stock by ample margin. Moreover, as improvement occurs in the automobile industry, the company's strong position in its field should more fully be reflected in increased earnings. Although the company's shares must be regarded as speculative, they offer moderate attraction for holding for the next eighteen months to two years, and on this basis we would not be opposed to limited commitments during market reactions.

AMERICAN WOOLEN CO.

I am holding 150 shares of the preferred stock of American Woolen Co., which cost me about 45. Naturally I do not want to take a loss unnecessarily and would like your opinion as to whether to maintain my position or sell.—M. A. L., Hartford, Conn.

American Woolen Co. is the leading manufacturer of woolens and worsteds in the world, its products being used chiefly in men's and women's clothing. The company's unsatisfactory operating record may be attributed to several consecutive adverse factors. Successfully weathering the period of "Post-War deflation" from 1920 to 1923, inclusive, a state of overproduction in the industry with a sharp decline in prices for its products, resulted in a heavy loss from operations in 1924. Moreover, the steady decline of raw wool values during the past seven years has necessitated annual readjustments of its inventories, with losses therefrom being charged against operating profits. During the last three years, earnings decline has been accentuated by general business depression, resulting in a sharp falling off of sales. Thus, we find a rather unimpressive record; deficits in each year with the exception of 1925 and 1927, during the past seven-year period. It should be noted, however, that during this entire period of adversity for the company, a strong financial position has been maintained, with further improvement registered during the current year. Moreover, the new management, which was inaugurated in the early part of this year, has already shown progress in improving the company's position. Despite the fact that during the initial half of 1931 domestic wool prices declined approximately 18%, the loss for that period amounted to only $1,675,221 after depreciation, compared with $2,543,103 on the same basis, for the corresponding period of 1930. Furthermore, concentration of activities in lower cost plants with resultant operating economies, coupled with a wider demand for wool in women's wear and a strengthening in prices for the raw material should enable the management to make an even more satisfactory comparison during the final half of the year, although full 1931 operations, no doubt, will result in another deficit. However, the accomplishments of the present management to date, justifies in our opinion, the maintenance of confidence on the part of holders of the preferred stock, and for this reason we advise against needless liquidation at current levels.

AMERICAN SUGAR REFINING CO.

I have 300 shares of American Sugar Refining Co., at an average cost of 55. Do you believe that the outlook for the industry warrants holding or would you sell now and take your loss? I would appreciate an early reply.—F. R. D., Yonkers, N. Y.

American Sugar Refining Co. ranks as the leading refiner of cane sugar in the United States, accounting for approximately 29% of the country's entire meltings. The company carries on its operations in five modern refineries, strategically located in the United States whose combined daily capacity amounts to 16,000,000 pounds. In addition, it owns vast Cuban plantations as well as extensive stock interests in several less prominent sugar refining enterprises. In reflection of the unsatisfactory conditions prevailing generally in the sugar industry since the "World War," earnings of American Sugar Refining Co. have shown an irregular trend; net income for the calendar year of 1930 amounted to $6.24 a common share as compared with $8.40 a share in 1929 and $7.60 a share registered for the calendar year of 1928. Although no interim reports are published by the company, in view of the decline of sugar deliveries for the trade as a whole, during the initial half of the current year profits of the company can hardly be expected to equal those of a year ago. As a matter of fact, current prices for the company's shares indicate apprehension in certain quarters as to the continuance of present annual dividend rate of $5 a share. However, the company has always enjoyed an exceptionally strong financial position, and even during present period of adversity, has reduced its funded debt appreciably. While we do not anticipate substantial improvement in operating results during the early future, in view of the company's leadership in the industry, it no doubt will be among the first to register an increase in profits, when and as a turn for the better is in evidence. Under the circumstances, therefore, and since current prices for the company's shares appear to discount existing conditions, we are inclined to suggest the exercising of patience on the part of present shareholders.

WESTINGHOUSE ELECTRIC & MANUFACTURING CO.

I read an analysis of Westinghouse Electric in the September 5th issue of the MAGAZINE OF WALL STREET *and am considering a purchase owing to the more favorable report for the June quarter. Do you believe a purchase advisable now, or should I await improved business conditions?—N. S. H., Portland, Ore.*

The Westinghouse Electric & Manufacturing Co. is a thoroughly integrated enterprise, producing practically every type of electric equipment and appliance. In addition, it holds important stock interests in the Radio Corp. of America, General Motors Radio Corp. and the Audio-Vision Appliance Co. The latter unit was organized to develop television. The world-wide business depression has had an adverse effect on operations of the company and there was a deficit in the first half of the current year. However, a profit of $926,604 was reported in the second quarter although this was more than offset by the large loss in the first three months. The change from a deficit to a profit in the second quarter indicates the success which the management has had in coping with the low level of business prevailing. The fact that the dividend was recently reduced, however, appears to indicate that operations will be at a reduced level for some time. The present dividend rate does not appear to be well secured. Therefore, while we recognize the in-

(Please turn to page 802)

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UNITED FOUNDERS CORPORATION

Dividends and Interest

JULIUS KAYSER & CO.

A dividend of Twenty-five cents (25c) per share upon the shares of the no par value common stock of JULIUS KAYSER & CO., issued and outstanding, has been declared payable November 2, 1931, to the holders of record of such stock at the close of business October 15, 1931.

Dividend checks will be forwarded by The Bank of America, National Association, Agent for the Voting Trustees, with respect to shares held under the Voting Trust, and by Guaranty Trust Company of New York with respect to shares not so held.

CHARLES J. HARDY, Secretary.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway, New York
September 29, 1931.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 43 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable November 2, 1931, to common stockholders of record at the close of business October 9, 1931.

H. F. ATHERTON,
Secretary.

New York Stock Exchange

RAILS

	1929		1930		1931		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	9/23/31	Share
A								
Atchison	298⅝	195⅛	242½	168	203⅜	105	124¼	10
Do Pfd.	104⅞	99	108¾	100	108¼	96	98¼	5
Atlantic Coast Line	209½	161	175½	95¼	120	70¼	75⅛	7
B								
Baltimore & Ohio	145⅛	105	122¾	55⅝	87⅞	31	39⅛	5
Bangor & Aroostook	90⅜	55	84½	50⅛	66¾	38	39	3½
Brooklyn-Manhattan Transit	81⅞	40	78⅝	55⅛	69⅜	39¾	42½	4
Do Pfd.	92⅝	76½	96¾	83	94¼	80	80	6
C								
Canadian Pacific	265⅝	185	52¼	35¼	45⅜	14⅞	17⅝	1¼
Chesapeake & Ohio	279¾	160	51⅜	32⅜	46½	24½	32¼	2½
C. M. & St. Paul & Pacific	44⅞	16	26⅝	4¼	8⅞	3	4	..
Do Pfd.	68⅝	28½	46¼	7¾	15⅜	4¾	6⅝	..
Chicago & Northwestern	108½	75	89⅞	28½	45½	15	20⅞	4
Chicago, Rock Is. & Pacific	143½	101	125⅛	45¼	65½	20	33⅜	..
D								
Delaware & Hudson	226	141½	181	130⅛	157¼	96	113½	9
Delaware, Lack. & Western	169¾	120¼	153	69½	102	29½	40	4
E								
Erie R. R.	93⅛	41½	63¾	22⅛	39¾	10¾	16⅝	..
Do 1st Pfd.	66¼	55½	67⅝	27	45½	18½	22	4
G								
Great Northrn Pfd.	128¼	85¼	102	51	69¾	25	33¾	4
H								
Hudson & Manhattan	58⅜	34½	53⅝	34⅞	44½	27	34⅞	3½
I								
Illinois Central	153½	116	136¾	65¾	89	26	33½	4
Interborough Rapid Transit	58⅝	15	39½	20⅜	34	9	10½	..
K								
Kansas City Southern	108⅞	60	85⅜	34	45	8¼	13½	..
Do Pfd.	70½	63	70	53	64	40	41	4
L								
Lehigh Valley	102¼	65	84⅞	40	61	22¼	27	..
Louisville & Nashville	154¾	110	138½	84	111	50	†62½	5
M								
Mo., Kansas & Texas	65¾	37⅛	66⅝	14⅞	26¾	6⅞	10	..
Do Pfd.	107½	93⅜	108⅜	60	85	24½	34	7
Missouri Pacific	101⅜	46	98½	20⅜	42¾	10⅛	16⅞	..
Do Pfd.	149	105	145½	79	107	29	37¾	5
N								
New York Central	256½	160	192¾	105⅛	132¼	57¼	68⅜	4
N. Y., Chic. & St. Louis	192⅜	110	144	73	88	15	18⅞	..
N. Y., N. H. & Hartford	132½	80⅞	128⅛	67⅝	94⅞	36½	48⅜	4
Norfolk & Western	290	191	265	181½	217	123	145	12
Northern Pacific	118⅞	75⅛	97	42⅜	60⅞	23	32¼	3
P								
Pennsylvania	110	72½	86⅝	53	64	30⅛	36¾	3
Pere Marquette	260	140	164½	76½	85	15	22	..
Pittsburgh & W. Va.	148¾	90	121¾	48½	86	18	22½	..
R								
Reading	147¾	101½	141½	78	97½	45	65	4
Do 1st Pfd.	50	41½	50½	44⅛	46	36¼	†36	2
S								
St. Louis-San Fran.	133¾	101	118⅞	39¾	62¾	8	12½	..
St. Louis-Southwestern	115¾	50	76¾	18	33½	7	15½	..
Seaboard Air Lines	21¾	9⅛	12½	½	1⅜	⅜	½	..
Southern Pacific	157½	105	127	88	109½	55⅛	67	6
Southern Railway	162½	109	136¾	46½	65⅞	17½	23¾	6
Do Pfd.	100	96	101	76	83	30	35	5
U								
Union Pacific	297⅝	200	242¾	166½	205⅛	110¼	129⅞	10
Do Pfd.	85½	80	88⅝	82¼	87	70	74½	4
W								
Wabash	81⅜	40	67⅝	11¼	26	6	8¾	..
Do Pfd. A	104⅞	82	89¼	39	51	14	16⅞	..
Western Maryland	54	10	36	10	19⅝	7½	9⅞	..
Do 2nd Pfd.	53½	14⅝	38	11¼	20	8½	†9½	..
Western Pacific	41⅞	15	30½	7½	14⅞	4	5¾	..
Do Pfd.	67¾	37½	53½	23	31⅝	8½	12	..

INDUSTRIALS AND MISCELLANEOUS

	1929		1930		1931		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	9/23/31	Share
A								
Adams Express	34	20	37⅝	14¼	32½	8	10	1
Air Reductions, Inc.	223⅜	77	156⅝	87⅛	109⅜	67⅛	71½	4½
Alleghany Corp.	56½	17	35¼	5⅜	12⅜	3¼	5	..
Allied Chemical & Dye	354¾	197	343	170¼	182¾	86½	97	6
Allis Chalmers Mfg.	75½	35⅛	68	31¼	42¾	14½	16¼	2
Amer. Brake Shoe & Fdry	62	40½	54⅝	30	38	23¾	25⅞	2.40
American Can	184½	86	156½	104⅝	129¾	78	83½	5
Amer. Car & Fdy	106½	75	82½	24½	38⅜	9¾	12	1
Amer. & Foreign Power	199½	50	101¾	25	51⅜	14¼	17⅝	..
American Ice	54	29	41⅞	24½	31⅝	12⅛	14½	2
Amer. International Corp.	96⅜	29½	55⅝	16	26	6½	8⅝	..
Amer. Mchy. & Foundry	279¾	142	45	29¾	43¾	17⅝	22¾	1.40
Amer. Power & Light	175¾	64¼	119⅜	36⅛	64⅞	18½	22¼	1
Amer. Radiator & S. S.	55⅜	28	39¾	15	21½	7½	8⅞	.60
Amer. Rolling Mill	144⅝	60	100⅞	28	37⅞	15	16	..
Amer. Smelting & Refining	130¼	62	79½	37½	58½	19¾	23½	2
Amer. Steel Foundries	79⅞	35⅜	52¼	23½	31¼	9½	10¾	1
American Stores	85	40	55½	36½	48¼	37	38¾	2½
Amer Sugar Refining	94⅜	56	69⅞	39¼	60	42	45	5
Amer Tel. & Tel.	310½	193¼	274¼	170⅜	201⅜	135¼	144½	9
Amer Tobacco Com.	232½	160	127	98½	128⅜	85½	92	6
Amer. Water Works & Elec.	199	50	124⅞	67⅝	80⅜	31¼	34⅜	3

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929		1930		1931		Last Sale 9/23/31	Div'd $ Per Share
	High	Low	High	Low	High	Low		
A								
Anaconda Copper Mining	140	67⅛	81⅛	25	43¼	16¼	16⅛	1½
Arnold-Constable Corp.	40⅞	6⅛	13¾	3⅛	9	3⅝	5½	..
Assoc. Dry Goods	70¾	25	50½	19	29⅝	12½	13⅜	2½
Atlantic Refining	77⅞	30	51⅜	16⅝	23⅝	11	12⅝	1
Auburn Auto	514	120	263¾	60⅜	295½	101½	125½	4
B								
Baldwin Loco. Works	66⅝	15	38	19⅜	27⅞	8	9⅜	..
Barnsdall Corp. Cl. A	49⅛	20	34	8⅝	14½	5	6¼	..
Beech Nut Packing	101	45	70⅛	46¾	62	44	†44	3
Bendix Aviation	104⅝	25	57⅜	14¼	25½	14⅞	18	1
Best & Co.	60⅞	25	56¼	30⅜	46¼	29	32½	2
Bethlehem Steel Corp.	140¾	78¼	110¼	47⅜	70⅜	32⅜	36⅝	2
Bohn Aluminum	136¾	37	69	15¾	43	20¾	28	1½
Borden Company	100½	53	90⅝	60⅛	76½	43½	47	3
Borg-Warner	86⅞	26	50½	15	30¾	11⅛	14	1
Briggs Mfg.	63⅛	8½	25⅝	12⅛	22¾	8¼	10½	1¾
Burroughs Adding Mach.	96⅞	29	51⅞	18⅜	32¼	19⅛	20	1½
Byers & Co. (A. M.)	192⅞	50	112⅝	33⅛	69¾	15½	20	..
C								
California Packing	84⅞	63½	77½	41¼	53	18½	19	2
Calumet & Arizona Mining	136¾	73½	89⅞	28⅝	43⅜	23½	27	..
Calumet & Hecla	61⅞	25	33⅜	7¾	11⅜	4	4⅛	..
Canada Dry Ginger Ale	98¾	45	75⅜	30½	45	19	21	3
Case, J. I.	467	130	362¾	83½	131½	42⅛	49¼	..
Caterpillar Tractor	61	50¼	79¾	22	52⅛	14¾	15⅝	3
Cerro de Pasco Copper	120	52¼	65⅜	21	30⅛	9⅞	13½	1
Chesapeake Corp.	92	42⅛	82½	32¼	54⅛	21¾	28	3
Childs Co.	75⅞	44¼	67⅝	22⅞	33¾	9⅞	11⅛	..
Chrysler Corp.	135	26	43	14⅛	25¾	12½	15⅞	1
Coca-Cola Co.	154½	101	191⅜	133¼	170	128	134¾	7¾
Colgate-Palmolive-Peet	90	40	64⅞	44	50⅛	34½	36	2½
Colorado Fuel & Iron	78½	27¾	77	18⅜	32¼	8¾	10⅛	..
Columbian Carbon	344	105	199	65⅛	111⅝	49⅝	53¾	5
Colum. Gas & Electric	140	52	87	30⅝	45⅝	19⅞	22⅛	2
Commercial Credit	62⅝	18	40¾	15½	23¼	11½	12⅛	1.60
Commercial Solvent	63	20⅛	38	14	21⅛	9⅞	12⅜	1
Commonwealth Southern	24¾	10	20½	7½	12	4⅞	6	.40
Consolidated Gas of N. Y.	183¼	80⅛	136⅞	78¼	109⅝	73⅛	77½	4
Continental Baking Cl. A	90	25¼	52½	16¾	30	5½	7¼	..
Continental Can, Inc.	92	40½	71⅝	43½	60⅜	38¾	42¼	2½
Continental Oil	47⅛	48	30½	7¾	12	5	7⅜	..
Corn Products Refining	126⅜	70	111⅜	65	86⅝	44⅝	49¾	4
Crucible Steel of Amer.	121¾	71	93⅝	50⅛	63	30⅜	35¼	..
Cudahy Packing	67⅞	36	48	38⅛	48⅞	35¾	37½	4
Curtis Publishing	132	100	126⅛	85	100	60	61	4
Curtiss Wright, Common	30⅛	6⅜	14⅞	1¾	5⅞	1⅞	2	..
Curtiss Wright, A	37⅞	13¼	19¾	3	8½	3	3⅛	..
D								
Davison Chemical	69⅛	21¼	43⅝	10	23	5⅛	6⅝	..
Drug, Inc.	126⅛	69	87⅜	57⅝	78¾	61½	65	4
Du Pont de Nemours	231	80	145¼	80⅛	107	69	74	4
E								
Eastman Kodak Co.	264¾	150	255¼	142⅛	185¾	113¾	122½	8
Eaton Axle & Spring	76¾	18	37¼	11⅝	21⅞	8⅝	10¼	1.60
Electric Auto Lite	174	50	114⅞	33	74⅜	27	31	4
Elec. Power & Light	86⅝	29⅛	103½	34⅜	60⅜	23¼	26⅞	1
Elec. Storage Battery	104½	55	79¼	47½	66	30	38	4
Endicott-Johnson Corp.	83⅜	49¼	59⅝	36⅞	45⅜	30	36	3
F								
Firesone Tire & Rubber	37	24½	33⅛	15⅛	21½	13	16	1
First National Stores	90	44½	61⅜	38⅝	63	41	51	2½
Foster Wheeler	95	33	104½	37½	64½	13	16½	1
Fox Film Cl. A	105⅝	19⅛	57⅜	16⅛	38⅜	9⅜	9⅞	2½
Freeport Texas Co.	54⅞	23¾	55⅛	24½	43¼	17	20¼	3
G								
General Amer. Tank Car	123½	75	111⅞	53⅛	73⅛	47⅛	50¼	4
General Asphalt	94¾	42¼	71⅛	22⅜	47	11	13	2
General Electric	403	168⅛	95⅜	41½	54¾	29⅛	33⅜	1.60
General Foods	81¾	35	61¼	44⅜	56	39⅝	42⅞	3
General Mills	89⅛	50	59⅛	40⅛	50	35	37	3
General Motors Corp.	91¾	33½	54¼	31½	48	27⅛	30⅝	3
General Railway Signal	126½	70	106⅞	56	84⅛	32	37½	5
General Refractories	88½	50	90	39	57⅜	28	29¼	3
Gillette Safety Razor	143	80	106⅛	18	38¾	10	12⅛	..
Gold Dust Corp.	82	31½	47⅞	29	42⅛	18⅛	22½	2½
Goodrich Co. (B. F.)	105¾	38¼	58½	15¼	20⅞	6⅜	8	..
Goodyear Tire & Rubber	154½	60	96⅞	35⅛	52¾	30⅛	33⅛	3
Granby Consol. Min., Smelt. & Pr.	102⅞	46¼	59⅞	12	22⅝	8¼	8½	1
Grand Union	32⅞	9⅛	20⅝	10	18⅞	10⅜	12	..
Great Western Sugar	44	28	34½	7	11⅞	6½	6⅜	..
Gulf States Steel	79	42	80	15	37⅛	8½	9½	..
H								
Hershey Chocolate	143⅞	45	109	70	103¾	78	84½	5
Houston Oil of Texas	109	26	116⅞	29¼	68½	27	31	..
Hudson Motor Car	92½	38	62⅞	18	26	10	11¼	1
Hupp Motor Car	82	18	26⅝	7½	13⅛	4	5⅜	..
I								
Inland Steel	113	71	98	58	71	33	35	2½
Inter. Business Machines	255	109	197⅛	131	179¾	117	128½	6
Inter. Cement	109¾	48	75⅝	49½	62½	21	23	4
Inter. Harvester	142	65	115¾	45¼	60¼	27	30⅝	2½
Int. Match Pfd.	109½	47	92	52¼	73¼	29	33	4
Inter. Nickel	72¾	25	44⅜	12¾	20⅛	8¼	9½	.40
Inter. Paper & Power "A"	112	57	31⅛	5⅛	10¼	2⅞	2⅞	..
Inter. Tel. & Tel.	149¼	53	77⅜	17½	38¾	15¼	19	1
J								
Jewel Tea	84½	45	66¼	37	57½	33⅛	36½	4
Johns-Manville	242¾	90	148⅜	48¾	80¾	38⅜	43	3
K								
Kennecott Copper	104⅞	49⅝	62⅜	20⅛	31⅛	10⅛	12⅜	1
Kresge Co. (S. S.)	57⅛	26	36⅝	26⅛	29⅝	25	26⅛	1.60

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HOUSEHOLD Finance Corporation

DIVIDEND NOTICE

The Board of Directors of Household Finance Corporation, at a meeting held September 9, 1931, declared a quarterly dividend of $1.05 per share on the Participating Preference stock of the Corporation, payable October 15, 1931, to stockholders of record at the close of business September 30, 1931.

At the same meeting a 6% Common Stock dividend and a quarterly cash dividend of 90c per share were declared on the Class A and Class B Common stocks of the Corporation, payable to stockholders of record at the close of business September 30, 1931, both stock and cash dividends to be paid October 15, 1931.

Because of the Stock dividend on the Common stock, the Preference stock again became entitled to a proportionate increase in its quarterly dividend. Since the Common stock received a 10% Stock dividend on June 18, 1930, and is to receive a 6% Stock dividend payable October 15, 1931, the Preference stock becomes entitled to an additional 15c per share over the 90c per share on the Common.

The transfer books will not be closed. Checks in payment of dividends on the Participating Preference stock will be mailed by First Union Trust & Savings Bank of Chicago, Illinois, the Dividend Disbursing Agent.

FRED HUETTMANN,
Treasurer.

To the President of a Dividend-Paying Corporation:—

Why you should publish your dividend notices in The Magazine of Wall Street—

You will reach the greatest number of potential stockholders of record at the time when they are perusing our magazine, seeking sound securities to add to their holdings.

By keeping them informed of your dividend action, you create the maximum amount of good will for your Company, which will result in wide diversification of your securities among these influential investors.

Place The Magazine of Wall Street on the list of publications carrying your next dividend notice!

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929		1930		1931		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	9/23/31	Share
K								
Kreuger & Toll	46⅝	22½	35⅝	20⅝	27¾	8⅝	9⅞	1.61
Kroger Grocery & Baking	122½	38¼	48⅛	17⅛	35½	18	24½	1
L								
Lambert & Co.	157¼	80⅝	113	70⅜	87⅞	53⅛	59⅝	8
Lehn & Fink	68½	28	36	21	34¾	22	23½	3
Liggett & Myers Tob. B	106	80¼	114⅝	78¼	91	52	53½	5
Liquid Carbonic	113⅞	40	81⅞	39	55⅝	16⅝	19⅛	3
Loew's, Inc.	84½	32	95¾	41¾	63½	36⅛	40⅜	3
Loose-Wiles Biscuit	88⅜	39⅛	70¼	40¼	54⅞	40⅜	42⅛	3
Lorillard	31½	14¼	28⅛	8⅜	21⅞	10¾	13⅞	..
M								
Mack Truck, Inc.	114¾	55½	88½	33⅝	43⅞	18⅝	21¼	2
Macy (R. H.)	255½	110	159¼	81⅝	106¼	64⅞	67⅝	3
Magma Copper	82½	85	52½	19¼	27⅜	8⅞	8⅞	1
Marine Midland	..	..	32½	17¾	24¼	14⅝	16⅛	1.20
Mathieson Alkali	72⅜	29	51⅜	30⅛	31½	16⅛	18⅞	2
May Dept. Stores	108½	45½	61⅜	27¾	39	26½	27⅞	2½
McKeesport Tin Plate	82	54	89½	61	103½	50	53½	4
Mont. Ward & Co.	156⅞	42⅝	49⅞	15⅛	29¼	11½	13½	..
N								
Nash Motor Co.	118⅞	40	58½	21¼	40⅞	16½	19⅝	4
National Biscuit	236¾	140	93	68⅝	83¾	37¾	43½	2.80
National Cash Register A	148¾	59	83½	27⅝	39¾	18⅜	23⅞	1½
National Dairy Prod.	86½	36	62	35	50⅝	22	25⅝	2.60
National Lead	310	129¼	189½	114	132	85	†94	5
National Power & Light	71¾	23	58¾	30	44¼	15	17⅞	1
North American Co.	186¾	66½	132⅞	57¼	90¼	47	50¾	§10%
O								
Otis Elevator	55	22¼	80⅝	48¼	58½	25	28⅞	2½
Otis Steel	55	22¼	38⅞	9½	16⅝	4	5	..
P								
Pacific Gas & Electric	98⅜	42	74⅞	40⅛	54⅞	35⅛	37	2
Pacific Lighting	146¼	58⅛	107⅞	46	69½	42	45	3
Packard Motor Car	32½	13	23⅜	7¼	11⅞	5	5⅛	.40
Paramount Publix	75½	35	77¼	34¾	50¼	14⅜	16⅜	1.62½
Penney (J. C.)	105¼	66	80	27⅝	44⅜	28⅛	39	2.40
Phillips Petroleum	47	24¼	44¾	11⅛	16⅝	4⅜	6⅝	..
Prairie Oil & Gas	65⅝	40½	54	11¼	20⅜	6⅛	8⅛	..
Prairie Pipe Line	65	45	60	16⅝	26½	12¼	13	3
Procter & Gamble	98	43⅛	78⅞	52⅝	71¼	45¾	50⅛	2.40
Public Service of N. J.	137¾	54	123¾	65	96½	61	65	3.40
Pullman, Inc.	99¼	73	89⅜	47	58½	22	28	4
Pure Oil	30¾	20	27¼	7⅝	11⅞	5½	6⅛	..
Purity Bakeries	148⅝	55	88⅞	36	55¼	14½	17¾	3
R								
Radio Corp. of America	114¾	26	69⅝	11⅝	27½	12	16	..
Radio Keith-Orpheum	46⅞	12	50	14¾	24½	9	10⅝	..
Remington-Rand	57¾	20⅜	46½	14⅛	19⅜	4	5	..
Republic Steel	146¼	62¼	79½	10½	25⅛	6⅛	8	..
Reynolds (R. J.) Tob. Cl. B	66	39	58⅝	40	54½	39½	41⅛	3
Royal Dutch	64	43⅛	56½	36⅞	42⅝	13⅛	19⅞	2.28
S								
Safeway Stores	195¼	90½	122⅝	38¾	69¼	38⅝	56	5
Sears, Roebuck & Co.	181	80	100⅝	43⅛	63¼	42	45	2½
Shell Union Oil	31¾	19	25½	5¼	10¼	4	4¾	..
Simmons Co.	188	59½	94⅞	11	23¾	10⅛	11⅛	..
Sinclair Consol. Oil Corp.	45	21	32	9¾	15⅞	6¼	7⅜	..
Skelly Oil Corp.	46½	28	42	10⅛	12⅞	3⅛	4⅜	..
Socony-Vacuum Corp.	..	..	..	..	21	13¼	16⅝	1.60
So. Cal. Edison	93¼	45⅛	72	40⅛	54½	33⅝	35⅝	2
Standard Brands	44¾	20	29¼	14⅛	20½	14¾	16⅛	1.20
Standard Gas & Elec. Co.	243¾	73½	129¼	53⅛	88⅜	39¼	43	3½
Standard Oil of Calif.	81⅞	51½	75	42¼	51¾	31⅛	34¼	2½
Standard Oil of N. J.	83	48	84⅞	43⅛	52½	30⅝	34⅛	2
Stewart-Warner Speedometer	77	30	47	14¾	21⅞	4¾	7	..
Stone & Webster	201½	64	113⅝	37½	54½	16⅛	20⅜	2
Studebaker Corp.	98	38¼	47¼	18⅛	26	10⅞	12¼	1.20
T								
Texas Corp.	71⅞	50	60½	28¼	36¼	18	20	2
Texas Gulf Sulphur	85¼	42½	67⅜	40¼	55¾	24	27⅜	3
Tide Water Assoc. Oil	23½	10	17¾	5⅞	9	4	5	..
Timken Roller Bearing	139⅜	58½	89¼	40⅛	59	26¼	28	2
U								
Underwood-Elliott-Fisher	181¾	82	138	49	75¾	31	34	4
Union Carbide & Carbon	140	59	106⅜	52½	72	39	41¼	2.60
United Aircraft & Trans.	162	31	99	18⅜	38⅞	16¼	19⅜	..
United Corp.	75½	19	52	13⅞	31¼	13⅝	16⅜	.75
United Fruit	158½	99	105	46½	67¾	37	38⅜	4
United Gas Imp.	59⅝	22	49⅜	24¼	37½	21¼	24⅜	1.20
U. S. Industrial Alcohol	243⅝	95	139⅝	50¼	77⅜	24¼	29¼	..
U. S. Pipe & Fdy.	55⅞	12	38¼	18⅛	37⅛	11	14⅛	2
U. S. Realty	119½	50½	75½	25	36⅜	11⅝	11¼	1
U. S. Rubber	65	15	35	11	20⅜	7½	9⅞	..
U. S. Smelting, Ref. & Mining	72⅞	29⅞	36½	17½	25⅝	12⅜	14⅝	1
U. S. Steel Corp.	261¾	150	198¾	134⅜	152¾	74⅞	83¼	4
V								
Vanadium Corp.	116½	37½	143¼	44⅝	76¾	17	20⅝	..
W								
Warner Brothers Pictures	64½	30	80¼	9⅜	20⅜	4¾	7⅜	..
Western Union Tel.	272¼	155	210¾	122⅛	150¾	94	107¾	4
Westinghouse Air Brake	67¾	26½	52	31¼	36⅛	17	19¼	2
Westinghouse Elec. & Mfg.	292⅝	100	201½	88⅛	107¾	44⅛	50½	2½
White Motor	53½	27¼	43	21⅝	26¼	11¼	11⅜	..
Woolworth Co. (F. W.)	103⅞	52¼	72⅜	51½	72¾	50	56⅛	2.40
Worthington Pump & Mach.	137⅝	43	169	47	106⅞	25	30	..
Y								
Youngstown Sheet & Tube	143	91	150¼	69⅝	78	26¼	27	..

† Bid Price. § Payable in stock.

"Tips" on Books

Book Review Section of The Magazine of Wall Street

GUYS AND DOLLS

By Damon Runyon

Frederick A. Stokes Co.

THIS is a collection of short stories, all of which have some part of Broadway as their background—not the Broadway which extends from the Battery to Van Cortlandt Park but only that small bit of it from Times Square to Columbus Circle. So it is above all things a book for New Yorkers, for they more than others will appreciate and understand the little touches of local color and probably only they will identify Miss Missouri Martin, operator of the Three Hundred Club, as T...... G......, or Waldo Winchester, newspaper man, as W... ... W......, or The Brain, a big time gambler who was stabbed to death, as A...... R.......

The tales are all casual, and characterization, indicated chiefly by individual varieties of slang, is thin. The O. Henry ending is there (here I must differ with Heywood Broun) but not done with the abruptness or finesse of O. Henry. I would suggest reading only one or two at a sitting; otherwise they are likely to prove flat as one becomes surfeited easily with a diet of only Tenderloin.—W. F. D.

BRANCH, GROUP AND CHAIN BANKING

By Gaines T. Cartinhour

The Macmillan Co.

WHEN the time comes to discuss cures that will reach the fundamental causes of financial distress rather than temporary measures calculated only to relieve, the bank problem is certain to receive a large share of attention. Advocates of branch and group banking have not been quiet in the past, but, armed with statistics of the disastrous failures during the period of depression, they are likely to be decidedly more vociferous.

Professor Cartinhour has laid an excellent groundwork for the understanding of the comparative merits of branch, group, and chain banking. Beginning with a discussion of the problems of banks located in small cities and towns and their failure to share in the increased prosperity of their city cousins, he continues on to the alternative methods suggested as means to improve this situation. He records the growth of chain and group banking, principally in the Northwest, along with the causes responsible for its development, summarizes the relative advantages and disadvantages of this form of banking, and discusses in detail the State and Federal laws regulating it.

In surveying the merger movement that has been a feature of American economic development during the past forty years, he comes quite naturally to a consideration of branch banking. This type of banking, seriously hindered by the National Bank Act, has gained many advocates. "It appears," says the author, "that an extensive branch banking system would be desirable because of greater unity of policy, approximate uniformity in regional interest rates, larger capital behind each office, the ease of shifting funds to where they are most needed, the ability to mobilize reserves for the general benefit, and smaller overhead cost. * * * If future legislation in this country is not sufficiently comprehensive as to preclude the possibility of permitting concentration on a nation-wide basis without any restriction whatever, the group system of banking will be utilized to co-ordinate the operations of a number of banks."

Branch, Group and Chain Banking offers a comprehensive picture of the banking problem in its present phase and its clarity is aided by the inclusion of many painstakingly prepared charts and tables. It is one of the most timely books we have seen.—M. S. D.

For Features to Appear in the Next Issue See Page 757

HOT NEWS

By Emile Gauvreau

The Macauley Co.

ONE of the astounding monstrosities of the past decade has been the development of the tabloid, a miniature newspaper, written in words of one or two syllables with sufficient pictures to make even that small knowledge of reading unnecessary. Its appeal, of course, is to the morons who make up probably fifty per cent of our population—an appeal engendered not by the handy size of the paper nor even by the fact that it tells the news through photographs but by its salacious material and sensational pictures. There is an appeal also to a small but active body of fanatics to whose whims one or another of the tabloids carefully cater.

For the morons, these pink, green and white papers provide cheap sentiment, and vicarious sex thrills. Each divorce case, wholly disregarded or merely mentioned in the more highly regarded press, reeks to high heaven with filth, either true or insinuated, by the time the tabloids are through with it. For the fanatics, there is a well-known tabloid which is notorious for its anti-medical, anti-vivisection, and anti-vaccination policies. Why the publisher of this particular paper should set himself up as an authority on these three fields is beyond one's comprehension, but he does—and the fanatics and morons extol his opinions to the skies. It is also fitting to recall that tabloid reporters, covering the murder of a night-club hostess a few months ago, ferreted out the whereabouts of the woman's young and innocent daughter and gave so much publicity to the affair that the daughter committed suicide—a death directly attributable to the activities of the tabloids.

Emile Gauvreau, editor of *The Mirror*, has written a tale called *Hot News*, the story of a tabloid editor and how he made news. It is another debunking story, and, as a whole, a rather dull book. Under assumed names we meet again Daddy Browning, Peaches, Judd Gray, Mrs. Snyder, Arnold Rothstein, and many others. If you want to know who makes the tabloids and how, read the book, but you may expect no humor, no sustained interest, and no plot worth mentioning. Considering its subject, the story falls decidedly flat.—W. F. D.

Answers to Inquiries

(*Continued from page 797*)

herent strength in Westinghouse Electric & Manufacturing Co. and its longer term possibilities, we see no reason for hastening a commitment in view of present market and business conditions.

ASSOCIATED DRY GOODS CORP.

Can you tell me why Associated Dry Goods Corporation does not do better? I read where department stores are doing a big business and would think that their sales would also hold up. What is affecting its price? Is the dividend safe? Would you advise me to continue holding 100 shares which cost about 25?—J. J. B., Paterson, N. J.

The largest single unit in the Associated Dry Goods Corp. is Lord & Taylor in New York City, in which an 88% interest is held. Lord & Taylor, formed in 1826, is one of New York's leading department stores. The remaining seven stores in the Associated Dry Goods system are all wholly owned and include James McCreery in New York and other important units in Newark, Buffalo, Baltimore, Louisville and Minneapolis. Expansion has been along slow, conservative lines and each of the stores controlled is thoroughly established. Earnings in the fiscal year which ended January 31, 1931, were equivalent to $2.02 per common share, as against $3.41 a year earlier. Inventory losses during the current year have been smaller than in 1930 but it is not likely that the report for the six months ended July 31 compared favorably with results for the corresponding half of 1930. Earnings in the second half may show some improvement due to seasonal pick-up in business, the corporation's extensive sales promotion drive and operating economies. The financial position is satisfactory but it appears unlikely that the annual $2.50 dividend rate will be covered by earnings this year. It is possible, therefore, that a downward revision of rate may be put into effect. However, the shares might be held for longer term speculative possibilities, as opposed to accepting a large loss.

CHICAGO, ROCK ISLAND & PACIFIC RY. CO.

In 1930, on the advice of a friend I bought 100 shares of Chicago Rock Island & Pacific at $50. After the good reports for July the recent passing of the dividend came as a real shock. I am now wondering if it will pay me to continue to hold. What is your judgment?—A. J. J., South Bend, Ind.

The net operating income of the Chicago, Rock Island & Pacific Ry. Co. for July of the current year totaled $3,167,981, or approximately $563,000 more than for the similar month of 1930. Several factors contributed to this favorable showing, the chief of which was a closer control of expenses. Transportation expenses in July consumed but 30.59% of gross, as compared with 33.47% in the corresponding month of 1930, the lowest ratio for July in the past decade. Another factor in the July increase was the heavy shipment of grain during the month. However, this was not extended to August as the grain movement was retarded due to low prices and lack of demand in this country and abroad. The favorable showing in July, however, demonstrated the earning power that likely would follow a freight rate increase, if granted. The unfavorable crop movement in August likely led to the decision to omit the $1 dividend due in September, following two reductions in the rate this year. An important factor in connection with Chicago, Rock Island & Pacific common is the small amount of stock outstanding in relation to senior capitalization. The leverage that would result from a favorable rate increase decision likely would be reflected in higher quotations for the shares. The shares are speculative and until earnings have undergone sustained improvement, material price recovery is unlikely. Retention, therefore, must be contemplated on a long term basis.

AMERICAN HOME PRODUCTS CORP.

Will you give me your opinion of American Home Products? I have 200 shares which show a small profit. Do you advise holding?—H. D. O., Worcester, Mass.

A diversified line of nationally advertised drugs, cosmetics, patent medicines, hair tonics, etc., are distributed by the American Home Products Corp. Among the company's better known products are, "Hill's Cascara," "Freezone," and "Kolynos." A conservative expansion program is being carried on by the American Home Products Corp., two new units having been acquired in 1930. The latest addition was that of John Wyeth & Bros, manufacturers of chemical and pharmaceutical products. The fact that new units are acquired for cash improves the position of common stockholders, and increased per share returns should be shown from these acquisitions. The earnings record in the first half of the current year was impressive, as in the face of poor business conditions, an increase was shown. Per share results for the period were $2.77, as compared with $2.59 in the similar half of 1930. It is expected that earnings for the full year 1931 will provide good coverage for the annual $4.20 dividend requirements. The outlook for American Home Products Corp. appears favorable in view of the good showing made during a period of adverse business conditions and we believe that further retention of the shares is advisable.

THE PITTSTON CO.

Please give me an analysis of the Pittston Co. It has been recommended as an attractive low-priced speculation. Will the capital change affect the common stock? Do you advise a purchase now?—V. C. C., Richmond, Va.

The Pittston Co. was formed early

Securities Analyzed, Rated and Mentioned in This Issue.

in 1930 to operate under lease the anthracite coal properties of the Hillside Coal & Iron Co. and the Pennsylvania Coal Co., subsidiaries of the Erie Railroad Co. Common stock of the Pittston Co. was offered to Erie stockholders at $20 a share in the ratio of one share of the coal company's stock for each two shares of Erie held. The proceeds were utilized in acquiring a controlling interest in ten coal distributing companies located in Massachusetts, New York and New Jersey. Among the companies controlled is the U. S. Distributing Corp. The report of the company for 1930 showed net income of $2,037,870, or the equivalent to $1.89 per share. Net earnings in the first half of the current year totaled $438,925 or $0.40 a share, indicating that the report for the full year will make an unfavorable comparison with 1930 results. Dividend income for the latest period declined sharply due to severely curtailed operations of subsidiaries and the Pittston Co. omitted its dividend in July. The decrease in authorized common stock of the company from 2,500,000 to 1,250,000 will not change the status of present holders as only 1,075,100 shares now are outstanding. It is merely a tax saving measure. The near term outlook for the company is not particularly promising and a commitment is not favored at this time.

The Current Market and Business Conditions Which Guide Sound Investment

(Continued from page 791)

safest, is to buy currently underpriced issues of companies whose earnings are on the upgrade. A surprising number of these may be found. The second plan is to purchase issues of the financially strongest companies in extremely depressed industries which seem likely to turn the corner soon. Stocks in the latter class are more difficult to select, owing to uncertainties which always enshroud the future; but they will rise more rapidly than stocks in the former class, once the upward trend becomes definitely established.

Stocks of companies in our basic industries, such as the railroad and metal groups, are best suited to the method of depression buying because these industries are sure to prosper again sometime. Care should be taken, however, to select only those companies which are strong enough financially to weather any possible prolongation of the depression without going into receivership. This is an especially essential precaution at the present time for it is still possible that the expected improvement in industrial conditions might be aborted by some crisis in world finance.

In view of the many uncertainties that always exist in the trough of a major business depression, experienced investors prefer to accumulate at such times the stocks of companies which are currently demonstrating an ability to make headway in the face of obstacles—those in the first class, above mentioned. There is always time enough to take on stocks of the depressed industries; for these are generally among the last to recover.

If Rubber Goes Native

(Continued from page 777)

Even on this basis, however, there is no reason why moderate profits should not be made if it were not for the cut-throat practices in which the industry delights. Business is taken at a loss, particularly is this thought to be so of new equipment orders. It is done on the theory that new equipment is an excellent advertisement and that when a car owner is in the market for renewals he will purchase those similar to the original. Such a comforting supposition, however, has never been proved.

Added to this, tire manufacturers have permitted their dealer system to become demoralized. It is estimated that the number of dealers retailing tires in the United States has declined from 100,000 to 70,000 over the last five years, although it is not unlikely but that there has been a slight increase lately as more service stations have entered the business. The decline in the number of dealers has permitted mail order houses and others financially strong to obtain a firm foothold. Indeed, mail order houses are estimated to sell about 10 per cent of the country's total output or about 15 per cent of the total renewal business. Such volume naturally implies some price dictation and manufacturers are hard put to obtain even a mediocre profit, and such steps as the industry lately may have taken to remedy the situation are possibly too late.

Earning Trend

That all has not been well with our domestic rubber manufacturing industry can be seen from their earnings record. Goodyear Tire & Rubber Co. earned little or nothing for the four years 1920/1923. This was followed by two years of prosperity ending with a sharp decline in 1926. The next three years showed improvement, 1929 being the high point in which earnings reached the equivalent of $9.34 a common share. In 1930, there was a slump to $3.16 a share, while reports to date attest that earnings so far during 1931 are running materially under this.

The U. S. Rubber Co.'s record is even more erratic, owing to its ownership of plantations. For 1920, nearly $20 a common share was shown. The next year resulted in a deficit and was followed by small earnings for the next three years. In 1925, $11.21 a share was reported, but deficits have been the rule ever since.

Yet more spectacular has been the showing of the B. F. Goodrich Co. Earnings have run the whole gamut of a deficit in 1921 to $17.34 a share in 1925 and back to a deficit again in 1930. The Firestone Tire & Rubber Co. was profitable from 1925 to 1929. There was a deficit, however, in 1930.

The great irregularity of earning power shown by the rubber industry has been caused primarily by their inventory losses and commitments in crude. In the past, successful speculation in the raw material was more than sufficient to hide a company's poor manufacturing practices. Likewise, a bad guess as to the future of crude rubber prices would offset efficient manufacturing and distributing. The latter, therefore, have been neglected.

It is in connection with the rubber manufacturers' speculative activities that the changing crude rubber situation will have a pronounced effect. A low price for crude means that inventories are just that much less important. The fluctuations in cents will be much smaller than formerly. The companies will be unable to take the risks to which they have been accustomed and will have to concentrate upon making a profit from manufacturing, a much less hazardous business if properly managed.

But will it be properly managed? Only the future can give the answer. Much must be done. The present cut-throat competition must be eliminated. A fair profit must be insisted upon. Although this is difficult to achieve, the industry has much with which to work. Its product is essential. On the whole it has ample financial resources. This is evidenced by the action of the Goodyear company in declaring the regular dividend of 75 cents on its common stock the other day. Still more important, the uses for rubber are continually expanding and, despite the fact that little more can be expected from the automobile industry than is currently being taken, a heightened demand from other fields should be an offsetting factor. The present period is one of transition and difficulty. Much time may have to elapse and weaker companies may become embarrassed. A successful outcome, however, should be confidently anticipated.

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of September 24, 1931

Name and Dividend	1931 Price Range High	1931 Price Range Low	Recent Price
Aluminum Co. of Amer.	224	90	94
Amer. Commonwealth Pr-A (Stk. 10%)	17	6	7
Amer. Cyanamid B	12¾	3⅝	4⅝
Amer. Lt. & Tr. (2½)	54⅛	23¾	25
Amer. & Foreign Pwr. War.	31½	6⅝	8¼
Amer. Gas Elec. (1)	97½	39⅛	41
Amer. Superpower (.40)	19⅛	5⅝	6¾
Assoc. Gas Elec. "A" (Stk. 2/25)	26¾	6⅝	7⅞
Brazil T. L. & P. (1)	28½	7⅝	9¾
Central Stat. El. (10% stk.)	12⅛	2	3⅝
Cities Service (.30)	20¾	6¼	7⅞
Cities Service Pfd. (6)	84¾	58½	59⅝
Commonwealth & South. War.	2¾	⅞	1
Cord Corp.	15	5	5⅞
Deere & Co.	44¾	12⅛	12⅛
Durant Motors	3¼	⅛	⅝
Elec. Bond Share (6% stk.)	61	18¾	20
Ford Mot. of Canada A (1.20)	29¼	10⅛	13
Ford Motors, Ltd. (.36⅔)	19⅞	5¼	7
Fox Theatre, A	6⅛	1¼	1½
Goldman Sachs T.	11¼	2⅛	3⅛
Gulf Oil (1.5)	75½	38	45

Name and Dividend	1931 Price Range High	1931 Price Range Low	Recent Price
Hudson Bay M. & S.	6⅝	2⅜	2⅝
Humble Oil (2½)	72	49¾	50⅛
Internat. Pet. (1)	15⅛	8⅛	9⅛
International Utilities B	10⅞	3	4⅜
Mid West Util. (8% stk.)	25¼	8	10⅜
Newmont Mining	58⅞	16	19
Niagara Hudson Power (.40)	15⅛	7½	8¼
Niagara Hudson Pwr. A war.	3¼	1⅛	1¼
Northern States Pr. A (8)	152⅜	94½	97
Pennroad Corp. (.40)	8½	4⅛	4⅝
Public Util. Holding Corp. of Amer. (x. war.)	6⅞	1⅜	1⅞
St. Regis Paper (.60)	21½	5½	7¼
Selected Ind.	4⅞	1½	2
Standard Oil of Ind. (1)	38⅛	19⅛	20¼
Standard Oil of Ky. (1.60)	23⅝	15⅛	15½
Swift & Co. (2)	30⅜	22½	23
Trans Lux	13¼	1⅞	2¾
United Founders	10¼	2¾	3⅛
United Lt. & Pow. A (1)	34⅛	10⅛	11⅝
United Gas Corp.	11⅞	3⅛	3½
U. S. Elec. Pwr. (w. w.)	8⅜	2⅛	2½
Utility Pow. & Lt. (1.02½)	14½	4¼	4¾
Woolworth (F. W.) Ltd.	12¼	5⅛	7¾

RECENT price movements on the New York Curb Exchange have been dominated by continuance of the insistent stream of liquidation which became evident at the start of September and by a discouraging absence of confident investment demand of the better informed variety. Much of the liquidation, particularly in some of the public utility securities, appears to bear the earmarks of distress.

Curb brokers report an unusual volume of odd-lot buying for cash, apparently reflecting a strong scale-down demand from every section of the country for some of the favored issues, particularly such stocks as were among the spectacular leaders of the advance in 1928 and 1929. Buying of this kind is probably of the heaviest proportions since the bear market was ushered in by the 1929 crash.

It is not yet sufficient, however, to absorb the heavy stream of offerings, even at concessions, and hence is not a factor of major importance in the early outlook. Up until the present the market appears dependent for rallying power chiefly upon short-covering.

Although virtually the entire list has declined sharply, the most acute weakness, as well as the largest volume of transactions, continues to center in the public utility section. Electric Bond & Share, a popular favorite not long ago, has been especially hard hit, the recent low of 18¾ having extended the low of June 2 by more than 12 points. At prevailing quotations the stock commands scarcely more than 10 per cent of its bull market valuation and appears to be selling at approximately 10 times earnings.

Other utilities meeting with heavy pressure include Middle West Utilities, Cities Service and American Superpower. It is of interest to note that the weakness of such stocks coincides with the trend of utilities on the Stock Exchange, the attack plainly centering upon holding company securities, senior as well as junior, rather more than upon the securities of operating utilities. To a large extent liquidation of these stocks undoubtedly reflects fears of more stringent government regulation.

Low-priced industrial favorites have also bowed to the downtrend, Ford Motor, Ltd., for example, having virtually duplicated the price at which it was issued early in 1929. While retaining some measure of resistance, such Blue Chip issues as Aluminum Co. of America, Gulf Oil, A. O. Smith and Singer Manufacturing Co. have declined widely.

Procter & Gamble Co.

(Continued from page 783)

on to the consumer in the form of lower prices. In figures, net profit for the latest available period amounted to $22,651,000, after depreciation, interest and Federal taxes. After preferred dividends this was equivalent to $3.37 a share on 6,410,000 shares of no-par common stock. Although total income for this period was record-breaking, $3.37 a share was also shown for the previous year owing to the fact that there was a minor credit adjustment of prior year's tax reserves and also because the number of preferred shares outstanding was smaller at the end of the earlier year.

From a stockholder's standpoint Procter & Gamble has been a more than ordinary profitable investment. Dividends have been paid regularly on the common for forty years at gradually increasing rates. Stock dividends and extras in cash have been common. In the summer of 1929 the stock was split five-for-one and the dividend on the new stock put at $2 a share against the $8 which was formerly paid. Last year the rate was raised to $2.40 a share at which it now stands. The present dividend, which it will be noticed, is amply covered by earnings affords a yield of well over 5½% at the recent price of $46 a share. Indeed, so great is the margin over disbursements and so well are earnings being maintained that an extra or even a higher regular rate is not impossible, although it would be the more likely if the company were not expanding so rapidly.

Financial position as of June 30 was shown to have been improved during the year. Current assets totaled $86,804,000, whereas current liabilities were only slightly in excess of $7,000,000. Fixed assets increased some $14,000,000 for the period, reflecting for the most part the important acquisitions which the company made. Incidentally, Procter & Gamble carries good-will, patents and licenses at $1, although they are obviously of great value. "Ivory" soap alone has been advertised on a large scale for more than fifty years.

While it may appear to be arrant presumption to hazard a guess as to the market action of any given common stock in these troubled times, it must be admitted that the future enjoyed by the company itself is another matter. So with Procter & Gamble. It is not known whether the stock will decline or move higher in the immediate future. Old landmarks have disappeared and our security markets are

(Please turn to page 806)

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Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES	Bid	Asked
Bank of America (2)	35	37
Bank of N. Y. & Trust Co. (20)	370	395
Bankers (3)	65	67
Brooklyn (20)	260	270
Central Hanover (7)	155	159
Chase (4)	42	44
Chatham-Phenix (4)	37	39
Chemical (1.80)	35⅛	37⅛
City (4)	53	55
Corn Exchange (4)	75	78
Empire (3.20)	31½	33½
First National (100)	2675	2775
Guaranty (20)	315	320
Irving Trust (1.60)	20¾	21¾
Manhattan Co. (4)	41½	43½
Manufacturers (2)	33¾	35¾
New York (5)	109	112
Public (2)	24½	26½
United States Trust (70)	2225	2325
INSURANCE COMPANIES		
Aetna Fire (2)	34½	36½
Aetna Life (1.20)	34⅛	36⅛
Carolina (1.50)	16	18
Continental (1.60)	17½	20¼
Glens Falls (1.60)	40	42
Globe & Rutgers (24)	295	345
Great American (1.60)	16¾	18¼
Hanover (1.60)	18¾	20¾
Hartford Fire (2.40)	46	48
Home (2)	20½	22½
National Fire (2)	43	45
North River (2)	19	23
Stuyvesant (2)	33	36
INSURANCE SHARES—Continued		
Travelers (20)	600	650
United States Fire (2.40)	31	34
Westchester (2.40)	25	27
SURETY AND MORTGAGE COMPANIES		
American Surety (4)	30	33
Lawyers Mortgage (2.80)	31½	33½
National Title & Gty. (4)	17	22
National Surety (2)	22½	24
JOINT STOCK LAND BANKS		
Chicago	1	3
Dallas	20	30
Des Moines	..	..
First Carolina	1	.
Lincoln	10	15
Southern Minnesota	..	1
Virginia	⅛	½
INVESTMENT TRUST SHARES		
Amer. Founders Trust 6% Pfd.	23	30
Do 7% Pfd.	26	33
Diversified Trustees Shares A	10¾	..
Do Series B	9⅛	..
Fixed Trust Shares A	9⅝	..
Interl. Sec. Corp. of Amer. B	⅛	..
Do A	6	..
Do 6% Pfd.	50	..
No. Amer. Trust Shares	3½	4
Second Intl. Securities A	6½	..
Do 6% Pfd.	23	..
Shawmut Bank	3	5
U. S. & British Internl. B	⅛	..
U. S. Electric Lt. & Pr. "A"	23	25

BANK and insurance company stocks in recent over-the-counter trading have been subjected to unsettlement fully as extreme as that reflected in the listed stock and bond markets. There has not only been a continuance of substantial liquidation, much of it of the forced variety, but, perhaps more important in shaping quotations, confident demand has remained lacking.

The general market has been hard hit by the acute financial unsettlement abroad and is shaken by fears that the action of England in suspending the gold standard may be followed by other countries whose stocks of gold are insufficient for commercial needs, as well as by uncertainties as to the ultimate effect of such changes upon the finance of the world.

The lower quotations of bank stocks directly reflect the continuing stagnation of general business and the apparent expectation that substantial improvement can hardly make itself felt before next year. The demand for commercial loans is slack and the trend of interest rates is downward. Moreover safe and liquid investment can only be had at high cost and low yield. This situation cuts substantially into bank earnings and in some instances there is reason to doubt that current dividend levels will be maintained. Any necessary revisions, however, would seem to have been rather thoroughly discounted.

Bank of America shares have been adversely affected by the recently announced change of control of Transamerica, bids being lowered to 35. Chase Bank recently has been 42 bid, against 47 previously, and declines likewise have occurred in National City, First National, Manhattan, Central Hanover, Corn Exchange and Guaranty.

Selling of insurance company stocks, chiefly notable in fire insurance companies, reflects the persistent decline in the general securities markets, some companies, such as Sun Life, being heavy owners of common stocks.

Trading is featured by wide spreads being bid and asked quotations, Sun Life, to cite one example, recently being quoted at 575 bid and 675 asked. To some extent, quotations in this market are nominal, light offerings being sufficient to depress prices in the absence of demand. As with many bonds, difficulty probably would be had in the acquisition of any large quantity of stock at current prices.

(Continued from page 804)

almost as much an uncharted sea as they were in 1928 and 1929 for example. But of Procter & Gamble itself there can be no doubt. Despite world-wide difficulties, its business has been maintained.

Moreover, the company is expanding, a course difficult to follow successfully when prices crumble and the curve of business activity weekly plumbs new depths. So far the growth has been parallel to the company's own line. There have been rumors, however, to the effect that it might commence to manufacture toilet articles and cosmetics on a large scale. A French company has been mentioned in this connection, although it will be remembered that the acquisition of the Kirk company of Chicago put Procter & Gamble into this field to some extent. While there are glittering possibilities in such action, the Colgate-Palmolive-Peet combination and others would undoubtedly resent any trespassing on their particular preserves. But to the individual stockholder to whom growth is essential if his return is to be more than mediocre, it matters little what form expansion takes as long as there is expansion and it is carried out successfully.

The Truth About the Rails

(Continued from page 771)

ery days of hard times find the railways lacking protective garments. To meet the problem of existence they have had to cut expenses to the backbone—and sometimes through it. They have cut them while employees and investors have winced and the whole of national life has felt the decline of their purchasing power. They have cut them until the investing public has become panic-stricken and hysterical over even the distant future of railway securities.

With fading net revenues the outlook is that unless relief comes in time almost 6 billion of the 7.5 billions of railroad bonds available in New York State for savings banks and trustee investments will become ineligible for that purpose. That is what is the matter with railroad bonds today, but it is a temporary situation and certainly not indicative of the future.

It is expected that about the time this article appears in print the Interstate Commerce Commission will hand down its decision regarding the proposed increase of 15 per cent in rates. If the decision is favorable or even partly favorable (and this, at least, is regarded as certain), the railways will be rescued from the abyss that yawns before them, and headed for their ulti-

mate destiny of complete transportation companies operating not only steel rails but on air, rubber and water and even through pipe lines, will perhaps receive that energetic starter back to better times that it has looked for so long.

But beyond the dire emergency of the moment a sympathetic decision means a future better for the railways than any period they have enjoyed since the beginning of their age. Between mastery of destructive competition and adequate and fair compensation for their services the railways will come into their own in the ensuing period of expansion in a way that will stupefy the doubting Thomases of these melancholy days.

Great Atlantic & Pacific Tea Co. of America

(Continued from page 784)

it is not unlikely that the company's margin of profit is wider than ever. Although it must be remembered that under conditions of depression which now exist the public tendency is to buy "loose" products in preference to the trade marked article. In the former division, prices tend to follow wholesale quotations much more quickly than the latter. Confirming this logical conclusion there have been rumors of a decline in the demand for expensive canned foods, preserves and the like, while the movement of bulk goods such as bread and potatoes has increased. Favorable factors in the future outlook include the greater variety of merchandise now being carried. Since the company first commenced to sell cigarettes for example, more people have undoubtedly entered its stores and remained to purchase other things. The recent experiment with retailing ice cream is another development which may easily contribute both directly and indirectly substantial earning power in the future.

On the unfavorable side of the ledger, consideration must be given to the slowing up of the company's expansion and to the fact that commodity prices cannot continue to decline for ever. When they again turn upwards the company may have difficulty in maintaining its present profit margin. Also, from the point of view of the average investor, account must be taken of certain technical factors affecting the company's stock. It is a high priced issue selling on the New York Curb Exchange. It tends towards inactivity. This, under present market conditions, makes violent fluctuations by no means an impossibility

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.73	182.20	138.50	No	84	4.8
Atchison, Top. & S. Fe.......	5 (N)	40.21	49.18	30.08	No	98	5.1
Union Pacific	4 (N)	46.32	49.48	41.30	No	75	5.3
N. Y., New Haven & Hart....	7 (C)	34.40	45.47	30.50	115	98	7.3
Baltimore & Ohio	4 (N)	49.44	48.87	36.46	No	50	8.0

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Amer. Lt. & Traction.........	1½ (C)	17.20	21.38	20.71	No	30	5.0
Pacific Gas & Elec. 1st.......	1½ (C)	4.24	4.57	5.25	No	28	5.4
Public Service of New Jersey..	8 (C)	§20.92	19.04	24.44	No	152	5.8
So. California Edison "B"....	1½ (C)	3.28	3.61	3.63	28¾	26	5.8
Philadelphia Co.	3 (C)	20.68	27.58	28.27	No	50	6.0
North American Co.	3 (C)	40.22	47.48	47.51	55	50	6.0
North Amer. Edison..........	6 (C)	53.15	58.98	49.65	105	100	6.0
Buffalo, Niagara & Eastern Pr.	1.6 (C)	4.52	5.19	5.25	26¼	26	6.2
Columbia Gas & Electric "A".	6 (C)	30.78	35.95	26.86	110	94	6.4
National Pr. & Light.........	6 (C)	45.38	50.22	45.16	110	92	6.5
United Corp.	3 (C)	....	4.66	6.46	55	45	6.7
American Water Works & El.	6 (C)	31.05	39.11	44.22	110	90	6.7
Elec. Bond & Share...........	6 (C)	18.43	29.11	31.24	110	87	6.9
Engineers Publ. Serv. (w.w.)	5½ (C)	8.79	17.65	16.21	110	77	7.1
Federal Light & Traction.....	6 (C)	49.93	40.12	39.68	100	82	7.3
United Light & Power Conv..	6 (C)	....	16.62	17.44	105	78	7.7
Electric Power & Light.......	7 (C)	17.00	19.03	13.39	110	85	8.2
Standard Gas & Electric......	4 (C)	14.07	20.39	20.95	No	47	8.5

Industrials

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Procter & Gamble (2nd)......	5 (C)	185.59	151.75	178.16	115	111	4.5
du Pont (E. I.) de Nemours deb.	6 (C)	69.06	78.54	55.22	125	118	5.1
Hershey Conv.	†5 (C)	16.25	21.36	24.24	No	90	5.6
Allied Chem. & Dye..........	7 (C)	68.63	76.88	63.90	120	122	5.7
Stand. Brands, Inc., Cum. A..	7 (C)	123.40	129.41	111.03	120	121	5.8
Brown Shoe	7 (C)	85.27	44.11	35.31	120	118	5.9
Diamond Match	1.5 (C)	....	....	....	No	25	6.0
International Nickel	7 (C)	139.12	80.45	40.26	120(a)	115	6.1
General Mills	6 (C)	18.70	18.86	20.03	115	96	6.3
Mathieson Alkali Works......	7 (C)	84.50	93.91	84.68	No	110	6.4
General Cigar	7 (C)	62.81	85.92	64.03	No	110	6.4
Commerc. Investm. Trust 1st.	6½ (C)	45.50	81.92	90.87	110	100	6.5
Aluminum Co. of Amer.......	6 (C)	14.04	17.19	7.93	110	91	6.6
Amer. Smelting & Refining....	7 (C)	37.17	43.66	22.20	No	100	7.0
Curtis Publishing	7 (C)	21.48	23.93	21.25	120	100	7.0
American Sugar	7 (C)	14.60	15.40	12.60	No	98	7.1
Bethlehem Steel Corp.........	7 (C)	19.16	42.24	23.84	No	96	7.3
Bucyrus-Erie	7 (C)	39.34	48.34	35.72	120	92	7.6

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. † Regular rate. $4. (a) After Feb. 1, 1934.

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By George E. Anderson

Business Views the Coming Congress with Hope and Fear

By Theodore M. Knappen

The United States A. D. (After Depression)

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and such sharp price changes are the more likely to take place in view of the fact that the issue sells at a seemingly high ratio to earnings.

What Is Blocking Business Recovery?

(*Continued from page* 768)

level is much nearer normal than that of 1929. Accordingly, it is to be doubted that the way out of the debt morass will lie in any major advance of prices, although increased stability is suggested by the behavior of recent weeks.

There seem to be two ways out. One is that which England is so valiantly trying to follow: The practice of the most rigid economy, the imposition of back-breaking taxes and the determination to honor all obligations. The other is the arbitrary re-scaling of debts, which was followed by France in the revaluation of the franc. In England the result still hangs in the balance but this country apparently has made up its mind that ultimate revision of the entire fabric of reparations and inter-governmental debts probably is unavoidable. Proposals along this line undoubtedly will come from Europe before expiration of the Hoover moratorium next June. Since any remission of European debts to this country will necessarily impose a heavier tax burden upon our own citizens, it is clear that this problem also will be subject to decided political ramifications.

Wages

Another obstacle to early business recovery is the still uncompleted process of wage readjustment, which remains a delicate subject in this country. The fact is, of course, that under the pressure of declining prices and shrinking corporate earnings, wage standards have been declining steadily for more than a year, despite political opposition at Washington. The movement has now been brought out frankly into the open by the action of the United States Steel Corporation in cutting wage rates 10 per cent. Previous reductions had been made in the company's dividend and in all salaries.

The action of this leading industrial corporation has been followed by various other companies and present indications are that the movement will become general, regardless of the disappointment and regret expressed by the Hoover Administration. Unless the railroads, through higher freight rates granted by the Interstate Commerce Commission, receive relief which they believe sufficient to maintain their credit, it is altogether probable that the question of reducing railway wages will steadily become more insistent. The view plainly reflected by the financial markets is that wage readjustment is a necessary prelude to business recovery and hence is a favorable long-term factor. The steps thus far taken, however, can hardly be expected to change the business picture overnight and for some time to come the wage trend will be a matter of more or less uncertainty and controversy.

Another question of vital business interest is presented by the growing tendency to question the effectiveness and advantages of the present gold standard. With the bulk of the existing metal in the vaults of two countries, the United States and France, there is certainly cause for grave doubt as to the advantages of the gold standard for the rest of the world. In very high British quarters there is a suggestion that a world conference be assembled to consider the matter.

But there is another side to it. In hard times, when debts press heavily, there is almost always a revival of agitation for "cheap money." The cry was raised by the Greenbackers in 1878, by the Populists in 1892 and by William Jennings Bryan in 1896. Steps are now being taken by various agrarian organizations which they hope will lead to consideration in Congress this winter of some means of "stabilizing the unit of value of currency."

Whatever such agitation may result in, the prospect that it will force itself into discussion is a retarding influence upon business.

Widespread public fear, resulting in abnormal hoarding of currency and in bank failures, is unquestionably one of the major obstacles faced by business, but this is a subsidiary problem and would unquestionably vanish if other and more tangible difficulties were solved.

The problem of excessive surpluses of agricultural products, focusing in the Farm Board holdings of wheat and cotton, is deeply enmeshed in politics and is one of the more obvious economic obstacles. Fortunately, it is apparent that the Government has bowed to the inevitable and that future action will be directed to disposal, as rapidly as is practical, of these holdings. This view is already reflected in a more confident attitude in the wheat market, the recent performance of which is one of the few bright spots in the near-term outlook.

For Features to Appear in the Next Issue, See Page 757

Public Service Corp. of N. J.

(*Continued from page 781*)

than 15½ times the indicated earnings per share. As clearly illustrated in the accompanying chart, the stock has sold at much higher price-earnings levels in recent years, but also prior to this at considerably lower levels. The dividend of $3.40 per share appears reasonably safe in view of the upward trend in the common earnings shown so far. The yield at the current price, therefore, is 5.2%. In making a commitment in the stock at the present time, the purchaser should do so with the longer term prospects in mind and particularly from the point of view of the salutary effect on earnings of the long delayed recovery in general business when it finally does arrive.

Four Months of Price Stability

(*Continued from page 775*)

ment is complete but this renders it all the more significant that the level has remained steady for four months and at the end of the period shown an actual upturn. Nor are this steadiness and final slight upturn purely fortuitous for they are accompanied by a belated but final appreciation of increasing favorable trade factors. Retail trade at the prices obtaining in the past four months continues to enlarge as the autumn season approaches. Normal stocks for the fall and winter trade have not been laid in as yet and increasing calls for hurry up orders must soon be the inevitable result. The national government and many state building programs, after nearly a year's delay in preparation, are just getting into full swing, not only affording increased employment but calling for immense quantities of building materials, hardware and many lines of equipment.

Perhaps the strongest factor in the general improved position in industry has been in the working off of excess inventories and the more general adoption of the policy of suiting production to consumption. This policy was first adopted in the iron and steel industry; later by the automobile and automobile tire makers and later by the textile and shoe industries and in all these industries there has been marked improvement not only with regard to statistical position but with regard to control of their output for the future and the steadying of prices which is possible by that means.

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in commodities is to be expected is indicated by the narrowing range of price fluctuations in the past four months. Price recovery after a depression has always been preceded by a period when successive decreases in quotations grow less and less before real recovery commences. In the four months ending with August the average price of the 550 commodities covered by the government's report varied a maximum of 1.3 points or 1.6 per cent from the May price. This is less of a maximum range than may ordinarily be expected in normal times. Reasoning from the experience of the country in previous depressions, there is every indication that the long drop in average prices has ended. Stability through the autumn would be almost positive proof.

Independent of the Stock Market

The general stability of the present commodity price level also is significant in the fact that it has occurred independently of movements in the securities markets, in fact in the face of continual decline in stock and bond prices. An analysis of the fall of 1.3 per cent in the average price of all commodities between May and June indicates that it was caused more by the fall in the price of farm products due to the wheat and cotton reports at that time than to any general decline in commodities as a whole while the successive drops in stock and bond prices since that time have had no parallel in commodities.

Trade Tendencies

(*Continued from page* 794)

ter, owing to the adverse fundamentals, chief of which are the small consumer demand and changing costs of production. Some reassurance, however, can be found in the report that most of the larger Detroit body die makers are now working day and night. This presages drastic body alterations on the part of many companies. The new Ford model is expected to be considerably altered. According to reports circulating in trade circle the new "A" series will embody free wheeling, rear gas tank, disc wheels, choice of many colors, larger body, a wheel-base of 116 inches, and an improved over-all design. No material change in price is anticipated. As Ford cars have lately comprised over 40% of all passenger vehicles made in the United States, the introduction of the new models will be a matter of great interest to the trade and also to the country as a whole. Full production can hardly be attained until well into next year, and it will be necessary to await the results of the first quarter before the public's reaction to the new styles can be measured, and its possible effect upon other companies gauged.

PETROLEUM

No Effective Restriction As Yet

Texas authorities bent their efforts towards a definite production control plan during the past week, the final result being a ruling which reduces the permissible flow from 225 to 185 barrels daily per well. Among the difficulties encountered were the strenuous objections of large producers to the measure. It is felt, however, that this will prove short-lived. Unfortunately, no downward revision has been effected as to the number of new wells which may be sunk, so drilling operations have been maintained to the limit allowable by the rules laid down several weeks ago. This means that despite the restrictions imposed on the output of each well, the steady increase of new wells is causing an upward trend in production. The situation is grave, for unless East Texas production is fixed it would seem inevitable that the former demoralized conditions again prevail. In Oklahoma there has been little variation in output during the past few weeks and the situation is well in hand. Posted prices, however, both in Oklahoma and Texas are softening because of the rising Texas production, and this heaviness has been communicated from the crude to the gasoline markets resulting in falling prices. Dumping of stored stocks of gasoline by refiners and jobbers who laid by supplies at the initiation of curtailment has aggravated the price situation. It must also be remembered that we rapidly approach the season of the year when gasoline consumption is at the lowest ebb. This is a further complication.

COPPER

Further Production Curtailment Needed

The copper situation has moved steadily from bad to worse. Despite efforts made toward production curtailment, supply has far exceeded world demand and stocks are now piled higher than ever before in the history of the industry. As a consequence prices are at the lowest levels ever seen and as the matter now stands there is little hope for near-term improvement. It has been suggested that world production should be completely shut-down for a period of at least three months in order to improve the technical position of the market. While this may be attempted sometime later in the fall, it is very much to be doubted whether the necessary agreement between such a large number of independent interests could ever be achieved. There is the added difficulty in our own country that the Government might construe the action as being contrary to the anti-trust laws. This is the more likely in view of the fact that a large number of workmen would be without a means of livelihood at a particularly poor time. If they were provided for, however, a more lenient attitude is not inconceivable. And yet something must be done. If the industry can iron-out its difficulties by co-operation so much the better as long as the co-operation does not raise the price materially above production costs, for if this happens the ultimate condition of the industry will be worse than it is at present. On the other hand, if the industry fails to solve its problems itself they will be solved automatically by inexorable economic law. The less strong units will merely go bankrupt and the supply will be cut to suit the demand.

World's Business

(*Continued from page* 773)

prestige? It may be some years before we know the answers. But truly the British cup of sorrow is full when her mighty navy spurns discipline and the Bank of England refuses gold. The two together constitute the blackest news of a gloomy time. And yet from them the recovery of Britain and of the world may yet be dated. The worst has come but in the words quoted by Chancellor Snowden:

". . . come the world against her England yet shall stand."

Japan Strikes in the Dark Recalling the sinking of the Russian fleet before hostilities were declared in the Japo-Russian War, the Japanese without warning seized Mukden and fifteen other cities of Manchuria. And war looms in the Far East, the Kellogg pact and the League of Nations notwithstanding. The seizure seems to have been an attempt of the imperialistic army leaders to involve Japan in a war to annex Manchuria. If Japan wants Manchuria now is the time to take it. Nothing but protests can come from the other nations. Britain is

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powerless, France would stand aloof and the United States, of course, will not turn an ungloved hand. China is helpless to defend herself. A world turned pacifist and involved in perturbing economic problems may yet have to postpone disarmament. What one nation does now, others may do later. But there is hope that Japan will yet voluntarily disavow her militarists. The little boom a war in the Far East would temporarily give to trade in war supplies would not be worth reckoning.

Ghandi the Implacable A little brown man, Ghandi by name, in meager attire sat at a table in St. James' Palace, London, the other day and in soft-spoken words sent a shiver throughout the British Empire. India, he said, must be made absolutely free, even to the point of entirely withdrawing at will from the loosely-knit British Empire. About the same time a British college professor was telling an English audience that Britons must bow and adjust themselves to the course of events that had forever removed them from world leadership, economically as well as politically. Say what we will, it was the best leadership the world has ever had. The succession should logically fall to the United States. Can we and will we take it?

Important Corporation Meetings

Company	Specification	Date of Meeting
Amer. Machine & Fdy.	Common Dividend	10-21
Amer. Smelt. & Refin.	Pfd. & Com. Div.	10-6
Am. Water Works & Elec.	Common Div.	10-7
Atch., Topeka & S. Fe Ry.	Common Div.	10-6
Borden Company	Common Dividend	10-6
Brown Shoe Co., Inc.	Pfd. Dividend	10-6
California Packing Corp.	Common Div.	10-8
Cerro de Pasco Copper Corp.	Com. Div.	10-6
Cluett, Peabody & Co., Inc.	Common Div.	10-6
Columbian Carbon Co.	Common Dividend	10-6
Continental Can Co.	Common Dividend	10-14
F. & W. Grand Silver Stores, Inc.	Directors	10-7
Hudson & Manhattan R. R. Co.	Com. Div.	10-22
Intertype Corp.	Common Dividend	10-6
Mullins Mfg. Co.	7% Pfd. Dividend	10-7
Nash Motors Co.	Common Dividend	10-6
National Pr. & Lt. Co.	Common Dividend	10-15
Newberry (J. J.) Co.	Directors	10-13
Oppenheim Collins & Co.	Common Div.	10-6
Procter & Gamble Co.	Common Dividend	10-13
Woolworth (F. W.) Co.	Common Dividend	10-14

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MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, September 14	78.39	121.30	57.91	108.92	105.62	2,436,400
Tuesday, September 15	77.92	120.59	56.92	108.33	104.88	2,165,170
Wednesday, September 16	77.92	119.26	56.73	108.20	104.46	1,978,129
Thursday, September 17	77.49	121.76	57.40	108.06	103.10	2,414,290
Friday, September 18	76.75	115.08	53.97	106.40	100.74	2,905,550
Saturday, September 19	75.61	111.74	53.08	101.32	97.82	2,437,553
Monday, September 21	74.55	110.83	54.55	102.25	94.00	4,448,235
Tuesday, September 22	74.22	109.40	53.08	100.57	96.99	2,049,950
Wednesday, September 23	76.09	115.99	61.86	106.66	99.57	2,942,040
Thursday, September 24	75.09	107.79	55.58	105.07	96.10	3,051,422
Friday, September 25	75.01	109.86	56.91	101.16	94.34	2,906,899
Saturday, September 26	75.14	107.36	55.85	100.12	97.17	635,695

Will Gold Follow Silver Into the Discard?

(Continued from page 765)

while this country is on the straight gold coin standard system.) Thus, in any country which applies the gold standard and maintains sufficient gold reserves to back its paper money the latter is the full equivalent of actual gold.

Any nation can make silver its own standard. All the nations could easily make silver or something else, the world standard. The most desirable standard is one that does not change in purchasing value, because of fluctuations in its quantity as a purchasing medium or because of its relation to the volume of business or of goods in general. It is held by many economists that if there is not already too little gold in the world to prevent the general price level, as expressed in gold, from falling, such will be the case in the not very remote future. Even those who disagree with them concede that the present situation has cast a doubt on the value and utility of gold as a standard and medium of exchange.

Two Nations Corner Gold

This is emphasized by the current maldistribution of the metal among the nations of the world. Of late it has tended to concentrate in the United States and France, those two nations have two-thirds of the world's monetary gold, but having far less than two-thirds of the world's wealth or its business turnover. Besides having insufficient gold reserves for their currency some nations are in the awkward position of not having the gold with which to discharge international balances or meet their foreign bonded obligations.

Many nations are today like the land-poor individual, whose real estate holdings while of great value, are of little use in meeting current bills. India with all her silver, Russia with vast resources, are in the throes of a gold famine. Germany with all the wealth represented by her industries and productive capacity, while potentially able to spare the wealth to meet her war debt payments is at present unable to meet them, from a lack of gold or gold credits. To meet their respective situations and its consequences Germany has arbitrarily interfered with the operations of gold exchange and England has temporarily suspended the gold backing of her currency. It is not impossible that we may now be witnessing the first steps toward eventual demonetization of gold, and its replacement by some other monetary system unrelated to metal of any kind.

The fundamental trouble with gold or any bullion-based currency is that, contrary to what the mint-stamp says, it is not of unchanging value itself. If the amount of monetary gold remains unchanged while the amount of commodities increases, gold appreciates in value, that is, in purchasing power. If production remains unchanged and the amount of gold is greater, gold depreciates. To be an ideal standard of value and money base the amount of gold should always remain in a fixed ratio to the business demand for it. There is theoretically nothing to prevent any country from adopting a non-metallic monetary system based on the wealth of the nation and its business activity. But the benefits of an international money base and standard are obvious; the difficulties of computing the differences between systems not tied together would constitute a great embarrassment to international trade. Trade between Britain and gold standard countries will be greatly annoyed by the daily need of calculating the value of the pound in gold. If every nation adopted its own different standard confusion would be indeed confounded. Today England is doing business both at home and abroad on a standard basically unrelated to that of any other nation. The value of paper money without a definite support is a matter of daily guess.

Measuring with a Changing Unit

Returning to the deficiencies of gold as a money base and standard, the consequences of the fact that the nominal monetary value of gold is arbitrary and unrelated to its actual purchasing power makes it comparable to a yardstick of varying length. The yard is an unvarying standard of lineal measurement. With a single yardstick you can measure one yard or ten yards or a hundred yards of cloth; and the result would be the same whether you had one yardstick or a million. But when you come to measure the value of cloth in gold you are using a unit of measurement which is not fixed, because gold is not only a *standard of measurement* but is *also a commodity*, subject to changing value in relation to other commodities. The more gold units there are in the world the "shorter" the dollar, the franc or the mark with which you are measuring.

The dollar always has so many grains of gold but the value of the grains changes relative to other things. For example, if production of cloth and gold increase in the same ratio, the gold measure works satisfactorily and prices remain unchanged, unless there is some other valid reason why the price of cloth should change. If, however, the production of cloth increases from one to 10 yards whilst the supply of gold increases only, say, from one to two units during the same time, then obviously only the holders of the two units of gold or of the currency based on that much gold can buy the cloth. They can make their own valuation and if they require only a part of the cloth there is what is called overproduction even though there be millions of people yearning for cloth.

Money Has Its Price

We have all too commonly fallen into the way of thinking of money-gold—as being fixed in value. If prices change we infer that the change is never on the gold side but always on the goods side. In Germany even when the mark prices had increased many times the general run of people thought that goods values, instead, had increased in that proportion. Actually, the discovery of great new deposits of gold would raise prices tremendously. It would have the same effect as printing a huge additional amount of paper money in a country that had nothing but paper money. In either case nothing would have been done to increase the world's real wealth, except as the gold might have some value as a commodity.

History conclusively demonstrates that the most disastrous as well as the most beneficial changes in price levels have been due in reality to changes in the quantity of available gold. When Alexander sacked the golden treasuries and adornments of the temples of Asia he caused a rise in prices and a long-continued boom throughout his empire. The discovery of America and the flood of gold and silver it turned into Europe brought on a period of rising prices that lasted for centuries. When the '49ers panned the golden sands of California they hoisted prices all over the world. When the Rand mines of South Africa were opened up on a large scale toward the end of the last century the ensuing abundance of gold caused another period of increasing prices, simply because the ratio between gold and goods had been changed. Between 1896 and 1920 gold was so abundant in relation to goods and labor that prices and wages increased rapidly.

Since then the supplies of both goods and labor has steadily increased while the world's volume of gold has not only remained almost stationary but has been concentrated where it cannot be fully utilized and prices have declined. These circumstances have not only disturbed internal business conditions in nearly every country but have a direct bearing

on foreign trade, on reparations and on the inter-allied debts. These latter two classes of obligations, it will be recalled, were assumed and payments contracted for at a time when commodity prices were at high levels.

Inequity of Changing Gold Prices

As prices fall the debtor nations are obliged to devote more and more of their national production of wealth to the purpose of meeting their principal and interest charges in money. An increasing volume of goods is represented by each dollar, pound or mark that is paid out. Bonded debts work a greater hardship on governments just as they do on corporations during a period of declining money prices, for it takes more and more of their product to pay off their obligations.

For instance, when America supplied England with wheat during the war, instead of demanding an I. O. U. for a bushel of wheat, England signed a note for $2 *which was what we valued the wheat at*. Of course, we did not want England to pay us back in wheat, because we knew she had none and also because we did not want it anyway. We had in mind that she would pay us back in other goods which we needed, rubber for example. This produce was worth 60 cents a pound, at the time, so we expected to be paid back with 3 1/3 pounds of rubber on every bushel of wheat we lent. But rubber today is worth only 6 cents a pound, so that the debtor is theoretically at least in the position of repaying 33 pounds of rubber—ten times more than we expected.

It is such inequalities and unforeseen hardships which are contributing to the growing feeling that something drastic must be done to remedy the defects in the gold standard. One school of economic thought demands its abandonment and the adoption of a new money system founded on the real wealth and productivity of the country. By the utilization of such a base or "index dollar" the amount of currency would be expanded or contracted in accordance with the total quantity of goods available for exchange. This is but partly possible under the gold standard. Inflation occurs when currency on the gold standard expands beyond the increase in the production of goods. With a money base adapted to both values and volume, inflation and deflation of currencies is theoretically eliminated.

Of course the weakness in this idea is apparent when it is realized that to be successful and equitable the standard would have to be universal or at least adopted by all the leading commercial nations. It presupposes a higher degree of international cooperation and trust than has been manifested in the world so far.

Furthermore it may be that the commercial psychology of the world cannot be detached from gold by anything less than a complete breakdown of the latter as a medium of valuation and exchange. If the present chaos continues much longer the breakdown may come by painful installments, as desperate nation after nation forsakes the gold standard for silver or some form of more or less fiduciary currency. Should that happen France and the United States with their two-thirds of the world's gold would find themselves in much the same sorry position as China and India now with their depreciated silver hoards.

Recognizing the hazards of abandoning the gold standard, another suggestion worthy of serious consideration involves a reappraisal of gold itself. Since gold production cannot be increased at will and the general trend of commodities is downward as world productivity increases, the mint price of gold might be periodically and arbitrarily raised as production and population increased. That is to say every 20 or 30 years the price of gold might be increased by 3, 4 or 5 dollars an ounce. Under this plan it has been suggested that the heads of central banks of the leading countries proceed at once to set the price of gold at $25 an ounce. This would at once raise the price of raw materials, reduce the burden of taxation and debts (by warranting the issuance of additional currency).

Plan Suggests Pooling

Finally, comes a plan to retain the gold standard but cure its weaknesses by pooling the present stocks of monetary gold and putting it behind the currency of all nations according to their trade requirements. So pooled, the ratio of gold to bank credit could be varied easily to meet changing monetary requirements, generally and particularly, thus keeping the medium of exchange in a constant ratio to the total volume of trade, which would mean that prices would fluctuate without disastrous breaks in general price levels in true reflection of supply and demand relations between different products. From such a position the step would be easy to national and international non-metallic currencies backed by the real wealth of nations instead of the illusory wealth of gold.

Unless something like a financial revolution impends the gold standard will be as slow as superstition to depart but it is inconceivable that the economically sophisticated modern world will much longer measure its wealth, and contract and pay debts, according to a unit of measure that has itself decreased as much as 70 per cent

Dividends and Interest

American Commonwealths Power Corporation

New York Grand Rapids St. Louis

Dividend Notice

The Board of Directors of American Commonwealths Power Corporation has declared the following dividends:

PRIOR PREFERRED STOCK
Customer Ownership Series

A monthly dividend of 52¢ per share on the Prior Preferred stock, $6.24 Dividend Series, payable October 1, 1931, to stockholders of record at the close of business September 12, 1931.

A monthly dividend of 52¢ per share on the Prior Preferred stock, $6.24 Dividend Series, payable November 2, 1931, to stockholders of record at the close of business October 12, 1931.

A monthly dividend of 52¢ per share on the Prior Preferred stock, $6.24 Dividend Series, payable December 1, 1931, to stockholders of record at the close of business November 12, 1931

PREFERRED STOCK

The regular quarterly dividend of $1.75 per share on the First Preferred stock, Series A, payable November 2, 1931, to stockholders of record at the close of business October 15, 1931.

The regular quarterly dividend of $1.63 per share on the First Preferred stock, $6.50 Dividend Series, payable November 2, 1931, to stockholders of record at the close of business October 15, 1931.

The regular quarterly dividend of $1.50 per share on the First Preferred stock, $6 Dividend Series of 1929, payable November 2, 1931, to stockholders of record at the close of business October 15, 1931.

The regular quarterly dividend of $1.75 per share on the Second Preferred stock, Series A, payable November 2, 1931, to stockholders of record at the close of business October 15, 1931.

COMMON STOCK

The regular quarterly dividend of 1/40 of one share, (2½%) payable in Class A Common stock on October 26, 1931, on each share of Class A and Class B Common stock, to stockholders of record at the close of business September 30, 1931.

Where the stock dividend results in Fractional shares Scrip certificates for such fractions will be issued which can, at the option of the stockholders, be consolidated into full shares by the purchase of additional Fractional shares. The Company will assist stockholders in the purchase of additional Fractional shares.

Checks and stock certificates
in payment of dividends will
be mailed in due course.

ALBERT VERMEER, *Treasurer.*

September 15, 1931.

"CANADA DRY"

Ginger Ale, Incorporated
A Delaware Corporation

Dividend Notice

At the meeting of the Board of Directors of Canada Dry Ginger Ale, Incorporated, held September 17, 1931, a regular quarterly dividend of seventy-five cents ($.75) per share was declared, payable October 15, 1931, to stockholders of record at the close of business October 1, 1931.

R. W. SNOW, *Secretary.*

AMERICAN TYPE FOUNDERS COMPANY

Jersey City, N. J., Sept. 16, 1931

A quarterly dividend (No. 118) of one and three-quarters per cent on the Preferred Stock and a quarterly dividend (No. 135) of two per cent on the Common Stock have this day been declared payable October 15, 1931, to stockholders of record at the close of business October 5, 1931. Checks mailed by The Bank of America, Transfer Agent, 44 Wall Street, New York City.

WALTER S. MARDER, Secretary

in one period of 24 years, has increased as much as 56 per cent in the recent period of 1920-28 and 25 per cent more in the last two years. The gold standard must be a stable standard if it is to stand.

For Profit and Income

(Continued from page 789)

$22,124,700 in 7% cumulative preferred stock, $12,000,000 in 6% cumulative preferred stock, 59,258 shares of no par Class "A" stock, and a number of "B" and common shares all of which are owned by the parent company. The Class "A" stock is junior to the preferred issues and is entitled to cumulative dividends at the rate of $7 annually. It has equal voting power with the common. Earnings are currently running at the rate of about $60 a share on the "A" stock, although on an over-all basis, fixed charges and dividends up to the disbursement on this issue are only being earned about 1.3 times after depreciation. While the equity therefore must be considered rather thin, nevertheless, it has considerable attraction as a high-yield speculative investment.

* * *

Customer Stockholders

The steady drift toward customer ownership in the public utility industries shows no signs of abating. The American Telephone & Telegraph Co. recently reported that it had over 600,000 stockholders most of whom undoubtedly are also customers of the company. The National Electric Light Association finds that some 1,672,000 shares of stock were sold directly to customers by electric and power companies last year. This makes a total since 1914 of about 22 million shares which have been distributed to more than 2 million customers in this way. The movement from the point of view of everyone, with the possible exception of agitating politicians, is very satisfying. The utilities are given considerable assurance that they will not go the way of the railroads of example, where the interest of the shipper seems to be the only thing which needs to be taken into consideration. On the other hand the customer stockholder realizes that on the rate which he pays depends his return in dividends and the credit standing of his company to say nothing of the quality of the service. This automatically does much to make rates reasonable without the annoyance of expensive litigation, from which the right answer may or may not be evolved. Again, from the stockholders' standpoint, there is a pride of ownership. He sees his company operating every day. He can so much more easily keep in touch with developments and is therefore the much less likely to become unnecessarily panic stricken over outside factors. Other things being equal we say emphatically. "Buy the stock of the company which serves you."

Baltimore & Ohio 4½s, 1960

(Continued from page 779)

For the full year 1931, bond interest charges of the B. & O. will probably not be earned more than 1.40 times as against 1.74 times in 1930 and 2.13 times in 1929. Interest charges on the senior bond issues, of course, are covered by a wider margin than just indicated because of their priority, and can still be considered sound high grade obligations. The junior bond issues, however, of which the Convertible 4½s of 1960 is one, have a more speculative flavor, a fact which is clearly indicated by their market action. The road, however, seems to have operating expenses well in hand and earnings even at current low levels of business should be sufficient to cover all bond interest requirement by a reasonable margin.

A commitment in the B. & O. convertible 4½% of 1960 should not overlook the speculative features currently surrounding the issue and the degree of risk involved as a consequence. For those in a position to assume the risk, however, the bond presents reasonably attractive possibilities and offers the purchaser at current price levels a comparatively high income return.

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
7.00	Am. Com'wealths Pwr. 1st Pfd., Series A..	1.75	Q	10-15	11-2
6.50	Am. Com'wealths Pwr. 1st Pfd. $6.50 Div. Series	1.63	Q	10-15	11-2
6.00	Am. Com'wealths Pwr. 1st Pfd. $6 Series of 1929	1.50	Q	10-15	11-2
7.00	Am. Com'wealths Pwr. 2d Pfd., Series A..	1.75	Q	10-15	11-2
7%	Amer. Type Founders Preferred	1¾%	Q	10-5	10-15
8%	Amer. Type Founders Common	2%	Q	10 5	10-15
$2.00	Amer. Ice Co........	$.50	Q	10-2	10-26
5.00	Amer. Shipbuilding ..	1.25	Q	10-15	11-2
3.00	Am. W. Wks. & Elec.	.75	Q	10-9	11-2
2.00	Bethlehem Steel Corp.	.50	Q	10-16	11-14
4.00	Bon Ami Co. Cl. "A"	1.00	Q	10-15	10-30
1.50	Briggs Mfg.	.37½	Q	10-10	10-26
2.50	Bush Terminal	.62½	Q	10-9	11-2
2.50	Colgate-Palm.-Peet ..	.62½	Q	10-6	10-21
8.00	Com'wealth Edison ..	2.00	Q	10-15	11-2
6%	Cudahy Packing 6% Pfd. Stock	3%	SA	10-20	11 2
7%	Cudahy Packing 7% Pfd. Stock	3½%	SA	10-20	11-2
4 00	Cudahy Pack. Com...	1.00	Q	10-5	10-15
4.00	Cudahy Packing Co...	1.00	Q	10-5	10-15
6.00	du Pont (E. I.) de Nemours Deb.	1.50	Q	10-10	10-24
3.00	General Foods	.75	Q	10-15	11-2
1.00	Granby Consol. Mining S. & P.	.25	Q	10-15	11-2
....	Loose-Wiles Biscuit..	.10	ext.	10-19	11-1
2.60	Loose-Wiles Biscuit..	.65	Q	10-19	11-1
3.00	Pacific Lighting	.75	Q	10-20	11-16
2.50	Sears, Roebuck & Co	.62½	Q	10-9	11-2
1.00	United Lt. & Pr. "A"	.25	Q	10-15	11-2
1.00	United Lt. & Pr. "B"	.25	Q	10-15	11-2
1.00	Unit. Verde Ext. Min.	.25	Q	10-2	11-2

Clues to Future Market Action Found in Fundamentals

(Continued from page 763)

dominance in world finance remains to be seen. London's annual income from abroad for banking commissions and financial services of all kinds has been estimated at fully $250,000,000. This is an important part of Britain's trade balance. We have the liquid wealth which should make New York the world's financial center, but in this field London has a priceless experience and technical ability which puts it in a class by itself. For this reason, the sterling bill, given definite revaluation of the pound, is not likely to lose its prominence.

English inflation has not yet had any important effect upon the trend of commodity prices here. The recent movement of these markets tentatively confirms the stability evident since early May, although it remains to be seen whether this relative improvement is basic or seasonal. If commodities hold up through the autumn that fact would constitute the first reliable evidence that bottom has been reached.

At best, the market probably will require some time to interpret the basic adjustments which are taking place. Considering the tremendous breadth of the deflation, there is no reason to suppose that a favorable opportunity for accumulation will be confined to any single day or to any week. Any recovery capable of being maintained will almost certainly be slow and will be accompanied by definite signs of business gains, however moderate. The premium which the investor will have to pay for awaiting such assurance is less to be feared than the continuing risks involved in efforts to guess bottom.

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Dividends and Interest

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 63

A regular quarterly cash dividend for the three months' period ending September 30, 1931, equal to 2% of its par value (being at the rate of 8% per annum), will be paid upon the Common Capital Stock of this Company by check on October 15, 1931, to shareholders of record at the close of business on September 30, 1931. The Transfer Books will not be closed.

D. H. FOOTE, *Secretary-Treasurer*
San Francisco, California.

THE CUDAHY PACKING COMPANY

Chicago, Ill., Sept. 18, 1931.

The Board of Directors has this day declared the regular semi-annual dividend of Three Per Cent (3%) on the 6% Preferred Stock of the Company, and Three and One-half Per Cent (3½%) on the 7% Preferred Stock of the Company, payable November 2, 1931 to stock of record October 20, 1931. Also the regular quarterly dividend of $1.00 per share on the Common Stock of the Company ($50.00 par value), payable October 15, 1931 to stock of record October 5, 1931.

A. W. ANDERSON, Secretary.

BAYUK CIGARS INC.

PHILADELPHIA

A quarterly dividend of 1¾% on the First Preferred stock of this corporation was declared payable October 15, 1931, to stockholders of record September 30, 1931. A dividend of 75¢ per share on the Common stock of this corporation was declared payable October 15, 1931, to stockholders of record September 30, 1931. Checks will be mailed.

John O. Davis, *Secretary*
September 18, 1931.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

168th Dividend

THE regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on October 15, 1931, to stockholders of record at the close of business on September 19, 1931.

H. BLAIR-SMITH, Treasurer.

UNITED VERDE EXTENSION MINING COMPANY

233 Broadway, New York, N. Y.

Dividend No. 62 September 17th, 1931.

A dividend of Twenty-five Cents per share on the outstanding capital stock has been declared, payable November 2nd, 1931, to stockholders of record at the close of business October 2nd, 1931. Stock transfer books do not close.

C. P. SANDS, Treasurer.

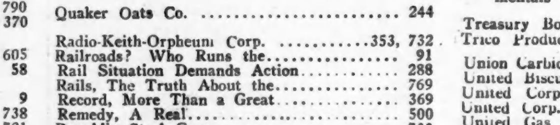
MAGMA COPPER COMPANY

Dividend No. 40

A dividend of Twenty Five Cents per share has been declared on the stock of this Company payable October 15, 1931, to stockholders of record at the close of business on September 30, 1931.

H. E. DODGE, *Treasurer.*

Dated, September 17, 1931.



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